

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Guangzhou Rural Commercial Bank Co., Ltd.*

廣州農村商業銀行股份有限公司*

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

(H Share Stock code: 1551)

(Preference Share Stock code: 4618)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board of directors (the “**Board**”) of Guangzhou Rural Commercial Bank Co., Ltd.* (the “**Bank**”) announces the audited consolidated annual results of the Bank and its subsidiaries (collectively the “**Group**”) for the year ended December 31, 2023 (the “**Reporting Period**”) (the “**Annual Results**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) by the International Accounting Standards Board. The Annual Results have been reviewed by the Board and the audit committee thereunder. Unless otherwise specified, the financial data set out in this announcement are the Group’s consolidated account and are presented in Renminbi. This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.grcbank.com), and the 2023 annual report of the Bank will be published on the aforementioned websites in due course. The 2023 annual report of the Bank will be dispatched in accordance with the request of the H shareholders of the Bank.

By Order of the Board

Guangzhou Rural Commercial Bank Co., Ltd.*

Cai Jian

Chairman

Guangzhou, the PRC

March 28, 2024

As at the date of this announcement, the Board comprises one executive director, namely Mr. Cai Jian; eight non-executive directors, namely Mr. Liu Wensheng, Mr. Wang Xiaobin, Mr. Zuo Liang, Mr. Da Hengcheng, Mr. Zhang Junzhou, Mr. Meng Sen, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Zhang Weiguo, Mr. Zhang Hua and Mr. Ma Hok Ming.

* *Guangzhou Rural Commercial Bank 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 and/or deposit taking business in Hong Kong.*

Contents

Definitions	2
Chairman’s Statement	4
President’s Statement	6
Basic Information	8
Summary of Financial Data	16
Management Discussion and Analysis	19
Changes in Share Capital and Shareholders	63
Directors, Supervisors, Senior Management and Employees	74
Corporate Governance Report	95
Report of the Board of Directors	127
Report of the Board of Supervisors	139
Report on Sannong Financial Services	149
Independent Auditor’s Report	154
Financial Statements and Accompanying Notes	162
Unaudited Supplementary Financial Information	334

DEFINITIONS

Unless the context otherwise requires, the terms used in this report shall have the following meaning:

“AGM”	annual general meeting of the Bank
“Articles of Association” or “Articles”	the articles of association of the Bank, which was passed by the Bank at the general meeting held on 20 June 2023 and was approved by the National Financial Regulatory Administration, Guangdong Bureau and became effective on 30 October 2023
“Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the former China Banking Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“Central Bank”, “PBOC”	the People’s Bank of China or “People’s Bank”
“China”	the People’s Republic of China
“Corporate Governance Code”	Appendix C1 of the Corporate Governance Code under the Listing Rules
“county bank(s)”	banking financial institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to serve the farmers, agriculture in rural areas and rural economic development
“CSRC”	China Securities Regulatory Commission
“Domestic Shares”	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank in the PRC
“Group”	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
“Guangzhou Rural Commercial Bank”, “Bank” or “Company”	Guangzhou Rural Commercial Bank Co., Ltd.
“H Shares”	the foreign shares which are registered in Mainland China and listed in Hong Kong
“HK\$”	the lawful currency of Hong Kong Region
“HKEx”	the Stock Exchange of Hong Kong Limited

DEFINITIONS

“IFRS”	International Financial Reporting Standards and International Accounting Standards (“ IAS ”), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board (“ IASB ”)
“Latest Practicable Date”	28 March 2024
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Reporting Period”	for the twelve months from 1 January 2023 to 31 December 2023
“RMB”	the lawful currency of the People’s Republic of China
“Sannong”	agriculture, rural areas and farmers
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“USD”	the lawful currency of the United States of America

CHAIRMAN'S STATEMENT

In 2023, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, Guangzhou Rural Commercial Bank actively fulfilled its mission to become a pioneer among national rural commercial banks. We have remained steadfast in our development orientation, relentless in improving the quality and efficiency of financial services, and unyielding in our pursuit of reform and innovation. With perseverance, diligence, and hard work, we have overcome unprecedented challenges and achieved impressive results. The Group's total assets have exceeded RMB1.3 trillion, with solid growth in loans and deposits, and a continuously optimizing business structure. Our reform and development have entered a new stage:

Clear Strategy, Strong Execution, More Dynamic Specialized Development. We are firmly committed to serving small and micro businesses, and with the implementation of the "300 billion project," we have comprehensively optimized our business processes, vigorously promoted digital transformation, and strived to build our core competitiveness in small and micro asset business. The outstanding growth of loans under RMB50 million in all branches has made our focus on supporting agriculture and small businesses and serving the local community even more prominent. We are committed to deepening comprehensive marketing reform, using standardized branch construction as a starting point, continuously selecting and strengthening our branch personnel team, providing ongoing marketing support, and strengthening the meticulous management of our branches. The operational efficiency of our 500-plus branches has steadily improved, and our frontline staff have fully played their role as the main force in customer marketing.

Prioritizing Compliance, Emphasizing Risk Control, and Strengthening the Foundation of Internal Control. We have profoundly carried out the "compliance construction year" event, advocating compliance, improving regulations, strengthening internal control, and providing better service. With consistent effort and good deeds, we have standardized the entire process of drafting and eliminating rules and regulations. The internal control foundation in key areas such as employee behavior, business management, and credit risk management has been fully solidified, and our employees' awareness of following regulations has significantly improved. We continue to improve our credit risk management system, increase efforts to dispose of and resolve risky assets, and spare no effort in promoting capital increase and share expansion. In line with our principles and innovative spirit, the risk of new business has remained at a low level, and our asset quality control has achieved solid results.

Party Building Leading, Strengthening the Foundation, and Enhancing Cohesion in the Talent Team. We have set high standards for implementing the theme education on studying and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, adhering to the unity of studying, understanding, and applying, and showing a new image and achievements among all party members and cadres through learning, enhancing wisdom, promoting integrity, and encouraging action. We have carried out the talent-driven development strategy with high quality, continuously deepening the mechanism of "entry and exit of personnel, promotion and demotion of cadres, and increase and decrease of salary," and comprehensively building a professional and youthful middle-level cadre team. We have also devoted ourselves in selecting, training, and retaining excellent talents and specialized professionals, optimizing the structure of human resources, and constantly strengthening the reserve talent team, with the enthusiasm of our employees for work and entrepreneurship remaining high.

CHAIRMAN'S STATEMENT

General Secretary Xi Jinping pointed out, "Tomorrow's China will create miracles through struggle." Facing the new mission and tasks of serving China's modernization and the new demands and aspirations of the people for a better life, we have a heavy responsibility and a solid mission. Facing the many favorable factors for economic development and the vibrant local market environment, we are determined and confident in our goals. In 2024, we will carry out the "year of improved efficiency" activity, expanding the market, reducing risks, improving management, and increasing efficiency, striving to achieve a significant increase in profitability in about two years.

Serving the Real Economy, Improving Assets, and Promoting Structural Optimization for Dynamic Transformation. We have always focused our financial services on the real economy, focusing on five major areas including science and technology finance, green finance, inclusive finance, elderly care finance, and digital finance. We have continuously strengthened our financial support for major national strategies, as well as key areas such as the "Thousand and Ten Thousand Project," technology self-sufficiency, modern industrial system construction, and private and small and micro enterprises. We are fully committed to serving the development of new productive forces, promoting reasonable growth in asset business volume, and significant improvement in quality.

Establishing Excellent Systems, Perfecting Mechanisms, and Consolidating the Foundation of Development through Strong Internal Control. We deepened the achievements of the "compliance construction year," established excellent systems, strengthened the execution of regulations, ensured the coverage of regulations in all directions, and established a mechanism for long-term and effective regulation. We have comprehensively improved our internal control mechanisms, continuously perfected our risk management system, strengthened the classification and management of asset risks, and firmly maintained compliance and internal control security, safeguarding the stable and sustainable development of the bank.

Deepening Reforms, Removing Barriers, and Winning the Battle of Efficiency through Strong Branches. We further deepened the reform of branch institutions, strengthened customer relationship management, and promoted localized business marketing. We optimized business processes, removed bottlenecks, and improved approval efficiency and post-loan management, accelerating the development of high-quality small and micro business. We also strengthened the construction of our talent team, used assessments to guide and created a strong atmosphere of learning from and surpassing others, and turned our business branches into strong "combat units" to improve their marketing efficiency.

With the spring mountains in sight, the future is full of promise. Under the strong leadership of the Municipal Committee and Government, all staff of the Bank will work together with one heart and mind, united as one, and achieve solid progress. We will bravely strive forward in the surging tide of the New Era of China, sharing the same ambition, competing for excellence, and striving to create a bright future for Guangzhou Rural Commercial Bank!

PRESIDENT'S STATEMENT

2023 is the year of fully implementing the spirit of the Party's 20th National Congress and the year of economic recovery and development after three-year COVID-19 prevention and control loosening. In the past year, under the correct leadership of the municipal party committee and government, the careful guidance of the superior competent departments and regulatory units, and the strong support of shareholders, customers, and all sectors of society, more than 13,000 cadres and employees of Guangzhou Rural Commercial Bank have worked together, overcome difficulties, and worked hard to serve the real economy, achieving fruitful results and rejuvenating reform and development.

This year, we have worked hard to write a “steady progress, steady quality improvement” business composition. The development of business volume has increased in quantity and improved in quality, with the Group's total assets and total liabilities reaching RMB1.31 trillion and RMB1.22 trillion, respectively, and the amount of small and medium-sized loans below RMB50 million reaching RMB175 billion, a year-on-year increase of 17.4%. Among them, inclusive small and micro loans exceeded RMB50 billion, reaching a record high; capital strength and asset quality have further improved, with a 1.1 percentage point increase in capital adequacy ratio, and non-performing loan balance, non-performing loan ratio, and non-performing asset ratio have all decreased, laying a more solid foundation and stronger resilience for high-quality development.

This year, we have firmly implemented the mission of “supporting agriculture, supporting small businesses, and serving the real economy.” We have wholeheartedly supported the “Thousand and Ten Thousand Project,” innovated the pledge of agricultural materials and rights as collateral, and optimized financial services for the whole industry chain of urban modern agriculture. We have also created a number of more segmented and distinctive inclusive agricultural products, and helped build a higher level of urban-rural integration development. We have actively used re-lending policy tools to reduce corporate financing costs and provide RMB2.92 billion and RMB11.15 billion respectively in re-lending funds for agriculture and small businesses, ranking first and third in Guangdong Province.

This year, we carefully painted a magnificent picture of “empowering industries and promoting green development.” We anchored the “dual carbon” target and integrated into the development of the Greater Bay Area, established an industrial finance team with coordination between headquarters and branches, and an “iron triangle” service team, and created a long-term mechanism for green development of “1+1+N”. We provided over RMB60 billion of loan funds to more than 1,200 technology companies and over 700 “specialized and innovative” enterprises through precise drip irrigation. The scale of green credit increased by 73.7%, and we used the power of finance to escort the transformation and upgrading of industries.

This year, we passionately interpreted the service concept of “finance for the people, customer first”. We actively built a multi-level and specialized “Jinmi” wealth and credit card product system, comprehensively optimized the online process of instant credit and repayment, and reshaped a reassuring, warm, and satisfactory customer experience. We introduced 123 government service functions, enriched digital financial scenarios, and effectively improved the accessibility and convenience of financial services. We also provided high-quality and efficient services at branches to contribute to the people's better life.

PRESIDENT'S STATEMENT

This year, we comprehensively consolidated the cultural foundation of “compliant operation, strict risk control.” We took the opportunity of the “compliance construction year” to improve the system of rules and regulations, and took practical actions to resolve existing risk assets. We also established a clear and accountable credit business process responsibility system, a precise and effective asset risk classification and grading management mechanism, and a risk asset special team working mechanism, to firmly safeguard the lifeline of asset quality.

Remembering our roots embarks our understanding of our destination. Guangzhou Rural Commercial Bank insists on moving forward with the times, planting our roots in the fertile land of South China and serving the development of both urban and rural areas. We steer the ship with integrity and set sail with innovation. Standing at the new starting point of 2024, we will focus on improving efficiency, seek opportunities in serving the overall development, make breakthroughs in specialized operation, and strengthen our foundation by enhancing internal control management. We will continue to forge ahead towards our vision of becoming a top commercial bank in China.

In the new year, we will continue to serve the country through finance and be the main force in serving the real economy. We will closely follow the national strategic deployment arrangement, focus on the tasks of high-quality development in the province and city, and empower the new productive forces. We will continue to support key areas such as industrial technology innovation, Nansha development and opening up, “Thousand and Ten Thousand Project,” private and small and micro enterprises, and promote symbiosis and prosperity with the real economy to contribute to the construction of a strong country.

In the new year, we will continue to create value and become a leader in specialized operation. We will emphasize doing small and scattered businesses, and carry out the “300 billion project” for small and medium-sized assets. We will accelerate the increase in the proportion of loans below RMB50 million and promote a more reasonable asset structure. We will also focus on keep pace with the times in customer service, benchmark peers and increase product innovation, use technology to create new scenarios and forms of business, and actively build our brand advantages. In terms of business operation, we will emphasize localized marketing, deeply empower the front-line staff, scientifically delegate power, inject empowerment of responsibilities and strengthen the functions of branches to activate their vitality and improve overall business efficiency.

In the new year, we will continue to uphold lean management and strive for high-quality development. We will promote the refinement of asset and liability management, strengthen pricing management, cost control, and liquidity management, and strive for a balance between security, liquidity, and profitability. We will deepen the reform of branches, optimize customer relationship management, simplify business processes, and provide more convenient and efficient comprehensive financial services. We will also take proactive measures to prevent risks in new business, and use multiple methods to improve the effectiveness of risk asset disposal, and make every effort to maintain stable asset quality.

The path to greatness is simplicity, and hard work is essential. On the road ahead, we have the correct leadership of the Municipal Party Committee and government, the care and help of superiors and regulatory agencies, and the strong support of our shareholders and customers. Guangzhou Rural Commercial Bank is not afraid of storms or challenges. We will work with even more enthusiasm, determination, and practical style to achieve comprehensive improvement in business performance and pay tribute to the 75th anniversary of the founding of New China with excellent results of high-quality development!

BASIC INFORMATION

I. BANK PROFILE

(I) Official Name

1. Official Chinese Name: 廣州農村商業銀行股份有限公司
(Abbreviated as “廣州農村商業銀行”)
2. Official English Name: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Legal representative: Mr. Cai Jian

(III) Authorized Representatives: Mr. Cai Jian and Mr. Ngai Wai Fung

(IV) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

(V) H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

(VI) Stock Name and Code: GRCB (1551.HK)

(VII) Offshore Preference Share Name and Code: GRCB 19USDPREF(4618.HK)

(VIII) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

(IX) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong

(X) Scope of Business: Monetary and financial services

(XI) Place of Inspection of the Report: Office of the Board of Directors of the Bank

(XII) Auditor: PricewaterhouseCoopers

(XIII) Legal Advisor as to Mainland PRC Law: Guang Dong J&J Law Firm

(XIV) Legal Advisor as to Hong Kong Law: Fangda Partners

(XV) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVI) Domestic Shares Depository: China Securities Depository and Clearing Corporation Limited

(XVII) Other Relevant Information of the Bank

Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, PRC

Postal Code: 510623

Website of the Bank: www.grcbank.com

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Management Telephone No.: (8620)28019324

Email Address: ir@grcbank.com

II. BANK BRANCHES AND SUBSIDIARIES

(I) Branches

The following table sets forth the basic information of the branches of the Bank:

No	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Huangshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999606	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	1/F and 2/F, No. 173 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huanan Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
6	Huangpu Sub-branch	No. 138 Fengle North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
7	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
8	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
9	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
10	Yuexiu Sub-branch	1/F, No. 60 Meidong Road, Yuexiu District, Guangzhou	510030	020-87619149	NA	-

BASIC INFORMATION

No	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
11	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32162645	NA	-
12	Huadu Branch in the Pilot Zone for Green Finance Reform and Innovation	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911139	NA	Branch
13	Guangdong Free Trade Zone Nansha Branch	Rooms 106, 201, 2101-2110, 2201, 2301, No. 115 Jiaoxi Road, Huangge Town, Nansha District, Guangzhou	511458	020-34929298	NA	Branch
14	Foshan Branch	No. 1 and 2 on 1/F, No. 1 and 2 on 2/F, No. 1, 7 and 8 3/F, and Rooms 4001 to 4010 of Tower 1, No. 17 Jihua Sixth Road, Chancheng District, Foshan	528000	0757-82581028	-	Branch outside
15	Qingyuan Branch	Shop on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan	511500	0763-3910555	NA	Branch outside
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Duanzhou District, Zhaoqing, Guangdong Province	526040	0758-2812835	0758-2812835	Branch outside
17	Heyuan Branch	Rooms 1601-1602 and Rooms 101-102 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong Province	517000	0762-2238111	NA	Branch outside
18	Hegqin Branch in Guangdong-Macao In-depth Cooperation Zone	No. 187 and 189 Rongzhu Road, Hengqin New District; Shop 303-01, No.272 Rongyue Road; Rooms 2701, 2702, 2703, 2704, 2705, 2706, 2707, 2708, Office Building, No. 191 Rongzhu Road, Zhuhai	519031	0756-2993600	NA	Branch outside

BASIC INFORMATION

(II) Bank's Subsidiaries

The following table sets forth the basic information of the subsidiaries of the Bank:

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
1	Huixian Zhujiang County Bank Co., Ltd.	East Section of Gongcheng Avenue, Huixian	453600	0373-6223019	NA
2	Anyang Zhujiang County Bank Co., Ltd.	Northwest Corner of the intersection of Xingtai Road and Jian'an Street, Anyang City	455000	0372-2223000	0372-2223209
3	Xinyang Zhujiang County Bank Co., Ltd.	Intersection of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang, Henan Province	464000	0376-6199236	NA
4	Zhengzhou Zhujiang County Bank Co., Ltd.	No. 101-1, 1/F, No. 501-2, 5/F, No. 501-3, 5/F, Expo Building, No.8 Business Outer Ring Road, Zhengzhou Area (Zhengdong), Free Trade Zone, Henan	450000	0371-89959090	NA
5	Xinjin Zhujiang County Bank Co., Ltd.	No. 4-4, 1/F of No. 5 and New No. 6 Wujin West Road, Xinjin County, Chengdu, Sichuan Province	611430	028-82580021	NA
6	Guanghan Zhujiang County Bank Co., Ltd.	No. 188 Section 1 of Zhongshan Avenue South, Guanghan, Sichuan Province	618300	0838-5513187	0838-5513152
7	Pengshan Zhujiang County Bank Co., Ltd.	No. 223 Caishan East Road, Pengshan District, Meishan, Sichuan Province	620860	028-37666086	NA
8	Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	32/F and 33/F of Building H and Shops 165-166, 1st Phase of Liuhe Commercial Plaza, Pingshan Subdistrict, Pingshan District, Shenzhen City	518118	0755-36669888	0755-32833903
9	Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	No.132 Fengxiang Avenue, Dongfeng Town, Zhongshan City	528425	0760-22787010	NA

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
10	Xingning Zhujiang County Bank Co., Ltd.	Shopping Mall of Building 9 of Shengjing Times on the west side of Xingnan Avenue and north side of Xigou, Xingning City	514500	0753-8682651	0753-8682655
11	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	No. 1 Yuanwuwei Road, Yuanwuwei Village, Huangjiang Town, Dongguan City	523756	0769-82183813	NA
12	Heshan Zhujiang County Bank Co., Ltd.	Room 201 of No. 195, 187 and 185, and No. 189-193 (odd numbers only), Zhongshan Road, Shaping Town, Heshan, Guangdong Province	529700	0750-8818081	0750-8818081
13	Sanshui Zhujiang County Bank Co., Ltd.	Shops 103, 104 and 105 of 1/F and 2/F and 3/F, No. 9 Nanfeng Avenue, Yundonghai Subdistrict, Sanshui District, Foshan City	528100	0757-87791698	NA
14	Qingdao Chengyang Zhujiang County Bank Co., Ltd.	No. 196 Zhengyang Middle Road, Chengyang District, Qingdao, Shandong Province (YinShengTai International Business Port)	266109	0532-67762806	NA
15	Haiyang Zhujiang County Bank Co., Ltd.	No. 181 Haiyang Road, Haiyang, Shandong Province	265100	0535-3107730	NA
16	Laiwu Zhujiang County Bank Co., Ltd.	Yanjie Building, No. 19 Daihuayuan, Longtan East Street, Laicheng District, Laiwu, Jinan City	271100	0531-75662720	0531-75662720
17	Laizhou Zhujiang County Bank Co., Ltd.	No. 672 Wenhua East Street, Laizhou, Shandong Province	261400	0535-2750000	NA
18	Yantai Fushan Zhujiang County Bank Co., Ltd.	No. 133-216 Fuhai Road, Fushan District, Yantai, Shandong Province	265500	0535-6319002	NA
19	Beijing Mentougou Zhujiang County Bank Co., Ltd.	No. 8 Shilong South Road, Yongding Town, Mentougou District, Beijing	102300	010-60865137	010-60865158

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
20	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Public Building 8, 9 (1-4 floors)- No. 151 Huanghaixi Road, Dalian Economic and Technological Development Area, Liaoning Province	116600	0411-66771959	0411-66771960
21	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	No. 51 Jinshan Road, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province	215101	0512-80969696	NA
22	Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	5-1001, Wuzhou International Plaza Phase II, Donghu South Road, Xuyi County, Huai' an	211700	0517-88331111	NA
23	Jiangsu Qidong Zhujiang County Bank Co., Ltd.	No. 605, 609 and 613 Jianghai Middle Road, Huilong Town, Qidong	226200	0513-83904316	NA
24	Changning Zhujiang County Bank Co., Ltd.	No. 101 and 102 Qunying West Road, Changning, Hunan Province	421500	0734-7330833	0734-7330833
25	Jizhou Zhujiang County Bank Co., Ltd.	No. 33 Yangming West Road, Jizhou District, Ji'an, Jiangxi Province	343000	0796-2066666	NA
26	Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd.	No. 06 Xiangyang North Road, Lukou Town, Lukou District, Zhuzhou City, Hunan Province	412100	0731-27618647	0731-27618603
27	Chaozhou Rural Commercial Bank Co., Ltd.	No. 130 Fengchun Road, Chaozhou City	521000	0768-2292072	0768-2301661
28	Guangdong Nanxiong Rural Commercial Bank Co., Ltd.	No. 147 Xiongnan Road, Nanxiong City	512400	0751-3822857	0751-3822857
29	Shaoguan Rural Commercial Bank Co., Ltd.	Shop 35, No. 41 Xinhua South Road, Wujiang District, Shaoguan City, Guangdong Province	512000	0751-8760282	0751-8639226
30	Zhujiang Financial Leasing Co., Ltd.	Rooms 2808 and 2809, No.2 Huitong 2nd Street, Hengli Town, Nansha District, Guangzhou City	510620	020-29168100	020-29168101

BASIC INFORMATION

III. MAJOR HONORS AND AWARDS RECEIVED IN 2023

Honors/Awards	Awarding/granting authority	Obtaining time
Award for Top 10 Retail Banks – Rural Commercial Banks in 2022	Retail Banking, Digital Banking	January 2023
Ranked 184th in 2023 Global Brand Value Top 500	Brand Finance and The Banker (《銀行家》雜誌)	February 2023
Ranked 254th in 2023 China Brand Value Top 500	Brand Finance	May 2023
2023 Excellent Large-scale Asset Management Rural Commercial Bank “Golden Prestige Awards”	PY Standard	June 2023
2023 Excellent Cash Management Banking Financial Products “Golden Prestige Awards”	PY Standard	June 2023
2023 Prestigious Award of Outstanding Regional Private Banking	PY Standard	June 2023
2023 Prestigious Award of Outstanding Wealth Services Capability Bank	PY Standard	June 2023
The Gamma Award of Inclusive Financial Services Bank in 2023	Securities Times (《證券時報》)	July 2023
Ranked 159th in 2023 “Global Banking 1000”	The Banker (《銀行家》雜誌)	July 2023
Ranked 31st in 2023 “China Banking 1000”	China Banking Association (中國銀行業協會)	July 2023
Ranked 493rd in Top 500 Enterprises in China in 2023	China Enterprise Confederation, China Enterprise Directors Association	September 2023
Ranked 161st in Top 500 Service Enterprises in China in 2023	China Enterprise Confederation, China Enterprise Directors Association	September 2023
2023 Financial Innovation Excellence Institution	The Banker (《銀行家》雜誌)	October 2023
2023 Excellence Case of Financial Technology Innovation	The Banker (《銀行家》雜誌)	October 2023
2023 Excellent Case of Green Finance Innovation	The Banker (《銀行家》雜誌)	October 2023
2023 Excellent Case of Financial Service Innovation for Rural Revitalization	The Banker (《銀行家》雜誌)	October 2023

BASIC INFORMATION

Honors/Awards	Awarding/granting authority	Obtaining time
2023 High Quality Development Financial Institution Award	The Times (時代傳媒)	November 2023
2023 Excellent Case of "Jin Zhen Zi" Most Popular Private Bank	cls.cn	November 2023
2023 Flash Case of High-Quality Development with the Aid of Financial Assistance	Guangzhou Daily (《廣州日報》)	November 2023
2023 "Gold Pilot" Golden Financial Services Brand "Best Private Bank 2023" Award	Guangzhou Daily (《廣州日報》)	November 2023
2023 Best Private Banking Service of the Year	New Express (《新快報》)	November 2023
2023 Best Retail Service Bank of the Year	New Express (《新快報》)	November 2023
2023 Jin Zhi Award "Outstanding Small Micro Business Service Award"	JRJ.com	December 2023
2023 Nanfang Zhijing- Innovative Enterprise of the Year	southcn.com	December 2023
2023 Outstanding Competitive Small and Micro-Scale Service Bank	China Business Journal (《中國經營報》)	December 2023
Outstanding Case of Financial Assistance to the Hundred-Thousand-Ten Thousand Project	Southern Finance Omnimedia Corp.	December 2023
2023 Green Financial Practices Model	hexun.com	December 2023
High-quality Development · "Professional, refined, characteristic, novel" Pioneer Bank of the Year	Information Times (《信息時報》)	December 2023
High-quality Development · Quality Wealth Management Bank of the Year	Information Times (《信息時報》)	December 2023
Excellent Wealth Management Bank Award of the Year	National Business Daily (《每日經濟新聞》)	December 2023
2023 Financial Institution with Outstanding Contributions to Rural Revitalization	Yangcheng Evening News (《羊城晚報》)	December 2023

SUMMARY OF FINANCIAL DATA

The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2023	2022	Comparison between 2023 and 2022	2021	2020	2019
			Rate of Change (%)			
Operating results						
Net interest income ⁽¹⁾	16,583.43	18,582.02	(10.76)	19,559.16	17,647.48	18,883.22
Net fee and commission income ⁽¹⁾	847.09	1,382.08	(38.71)	1,319.07	1,326.96	1,362.57
Operating income	18,154.13	22,544.65	(19.47)	23,480.53	21,218.41	23,657.28
Operating expenses	(6,815.37)	(7,346.18)	(7.23)	(6,420.27)	(7,037.46)	(6,675.70)
Impairment losses ⁽²⁾	(8,425.88)	(10,688.12)	(21.17)	(12,602.97)	(7,893.38)	(7,086.46)
Profit before income tax	2,912.88	4,510.35	(35.42)	4,457.29	6,287.57	9,895.12
Net profit	3,259.51	4,037.78	(19.27)	3,776.29	5,276.62	7,910.71
Net profit attributable to shareholders of the Bank	2,634.42	3,492.16	(24.56)	3,175.21	5,081.30	7,520.35
Per share (in RMB)			Change			
Net assets per share attributable to shareholders of the Bank ⁽³⁾	5.48	6.22	(0.74)	6.13	6.08	5.97
Basic earnings per share ⁽⁴⁾	0.17	0.25	(0.08)	0.26	0.45	0.77

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2023	2022	Comparison between 2023 and 2022	2021	2020	2019
Scale indicators			Change			
Total assets	1,314,042.45	1,233,454.45	80,588.00	1,161,628.63	1,027,871.65	894,154.29
Among which: loans and advances to customers, net	708,908.58	669,117.87	39,790.71	637,553.81	553,168.34	463,051.37
Total liabilities	1,217,501.57	1,145,205.35	72,296.22	1,074,743.36	951,986.34	820,444.98
Among which: customer deposits	947,186.02	910,485.03	36,700.99	849,766.80	778,424.85	658,243.09
Equity attributable to shareholders of the Bank	88,826.18	81,078.57	7,747.61	80,027.31	69,487.08	68,346.69
Non-controlling interests	7,714.70	7,170.53	544.17	6,857.96	6,398.23	5,362.62
Total equity	96,540.88	88,249.10	8,291.78	86,885.27	75,885.31	73,709.31

SUMMARY OF FINANCIAL DATA

Item (Expressed in percentage)	For the year ended 31 December					
	2023	2022	Comparison	2021	2020	2019
			between 2023 and 2022			
Profitability indicators			Change			
Return on average total assets ⁽⁵⁾	0.26	0.34	(0.08)	0.34	0.55	0.95
Return on average equity ⁽⁶⁾	3.17	4.40	(1.23)	4.43	7.10	13.24
Net interest spread ⁽⁷⁾	1.33	1.71	(0.38)	2.01	1.98	2.71
Net interest margin ⁽⁸⁾	1.39	1.69	(0.30)	2.00	2.01	2.65
Net fee and commission income to operating income ⁽⁹⁾	4.67	6.13	(1.46)	5.62	6.25	5.76
Cost-to-income ratio ⁽¹⁰⁾	36.08	31.37	4.71	26.08	31.95	27.25

Item (Expressed in percentage)	As at 31 December					
	2023	2022	Comparison	2021	2020	2019
			between 2023 and 2022			
Assets quality indicators			Change			
Non-performing loan ratio ⁽¹¹⁾	1.87	2.11	(0.24)	1.83	1.81	1.73
Provision coverage ratio ⁽¹²⁾	164.63	156.93	7.70	167.04	154.85	208.09
Allowance to total loans ⁽¹³⁾	3.07	3.31	(0.24)	3.06	2.81	3.61
Capital adequacy indicators			Change			
Core Tier 1 capital adequacy ratio ⁽¹⁴⁾	9.83	9.21	0.62	9.68	9.20	9.96
Tier 1 capital adequacy ratio	11.12	10.56	0.56	11.06	10.74	11.65
Capital adequacy ratio	13.67	12.59	1.08	13.09	12.56	14.23
Ratio of total equity to total assets	7.35	7.15	0.20	7.48	7.38	8.24

Item (Expressed in percentage)	As at 31 December					
	2023	2022	Comparison	2021	2020	2019
			between 2023 and 2022			
Other indicators			Change			
Loan-to-deposit ratio ⁽¹⁵⁾	77.21	76.00	1.21	77.39	73.09	72.92

SUMMARY OF FINANCIAL DATA

Notes :

- (1) For the year 2020, the Group reclassified the installment cash income of credit card from fee income to interest income, and restated the data for 2019, hence the indicators of net interest margin, net interest yield and the ratio of fee and commission income against the operating income were restated simultaneously.
- (2) In accordance with the new accounting standards on financial instruments and the disclosure requirements related to the financial statements, impairment losses in 2019 to 2023 included credit impairment losses and impairment losses on other assets in the consolidated statement of profit or loss.
- (3) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (4) The preference shares dividends, which was paid in the first half of 2023, has been deducted for this indicator.
- (5) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (6) Calculated by dividing the net profit for the period (excluding the preference shares dividends declared in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (7) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (8) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (9) Calculated by dividing net fee and commission income by operating income.
- (10) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (11) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (12) Calculated by dividing the balance of allowance for loan losses by the balance of non-performing loans.
- (13) Calculated by dividing the balance of allowance for loan losses by the total loans and advances to customers.
- (14) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" issued by the CBIRC.

Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%

- (15) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

I. REGULATORY ENVIRONMENT AND ECONOMIC AND FINANCIAL OUTLOOK

In 2023, geopolitical conflicts continued to escalate, major developed economies continued to raise interest rates, demand in the international market decreased, and the overall global economic growth slowed down after the pandemic. Against the backdrop of rising complexity, severity, and uncertainty in the external environment, China's economy is rebounding and improving, and high-quality development is making solid progress. The rapid growth of consumption, services, and new industries has become an important driving force for economic growth, with an annual GDP growth rate of 5.2%, higher than the target of around 5% for the whole year, demonstrating strong resilience and potential. Demand-side analysis: In terms of consumption, in 2023, there was a significant increase in consumer support to the economy. The performance of consumption in the service sector, such as tourism, catering, and entertainment, is strong. Consumption is expected to continue to recover in 2024, but it still needs to focus on unstable factors such as slowing income growth, falling asset prices, and declining consumption willingness. In terms of investment, manufacturing investment and infrastructure investment continue to exert force, while real estate investment slows down. In 2023, the year-on-year growth rate of real estate development investment decreased by 9.6%. It is expected that in 2024, under the influence of policies, the real estate market will likely recover. In terms of exports, due to slow domestic demand recovery, weak demand from Europe and the United States, and the impact of prices, the overall performance is lower than expected. Developed markets' share of China's exports has decreased, while the share of exports to ASEAN, Russia, Africa, and Latin America has increased. "New three" have become new driving forces for export growth. In the future, there will be both upward and downward factors for exports, and under the influence of industrial upgrading, structural upgrading is expected to continue.

In order to fully offset the impact of various environmental and policy factors and optimize the economic growth structure, China has increased its macro control efforts. First, it has implemented a more proactive fiscal policy. Since 2023, fiscal policy has gradually exerted force, with a compound annual growth rate of 1.63% in general public budget revenue over the past two years. In October 2023, the Standing Committee of the National People's Congress approved the issuance of RMB1 trillion of national bonds, and the growth rate of multiple types of expenditures, such as people's livelihood and infrastructure, has expanded. The Central Economic Work Conference has set the tone of "making good use of fiscal policy space, optimizing fiscal expenditure structure, reasonably expanding the scope of government special bonds for capital, and enhancing fiscal sustainability." It is expected that fiscal policy will remain relatively proactive in 2024, and more special bond funds may be invested in areas such as urban village renovation and affordable housing. Second, it has implemented more precise monetary policy. Since 2023, monetary policy has been "precisely implemented and continuously exerted," comprehensively using various methods such as reserve ratio cuts and interest rate cuts, and structural tools to support the development of the real economy. The Central Economic Work Conference has set the tone of "flexible and appropriate, precise and effective." It is expected that in 2024, monetary policy will coordinate with fiscal policy in terms of overall quantity, pace, and structure, maintaining a reasonable growth in funds, strengthening the role of capital inflow, and ensuring that funds flow precisely into key areas of development.

MANAGEMENT DISCUSSION AND ANALYSIS

While continuing to exert efforts in macro policies, China is also actively promoting the construction of the financial regulatory field. The Central Financial Work Conference held in Beijing in October 2023 emphasized the need to adhere to the centralized and unified leadership of the Party Central Committee over financial work, and to legally regulate all financial activities. It also called for the establishment of a long-term mechanism for preventing and resolving local government debt risks, the improvement of the main body supervision system and capital supervision of real estate enterprises, support for the optimization and strengthening of state-owned large financial institutions, and strict entry standards and regulatory requirements for small and medium-sized financial institutions. It also encouraged the development of characteristic operations based on local conditions, and the implementation of five major initiatives in science and technology finance, green finance, inclusive finance, pension finance, and digital finance. It is expected that China's financial regulatory system will be further improved in the future, and the ability of financial services to support the real economy will be further strengthened.

Based on comprehensive analysis, China's economic recovery and long-term improvement trend remains unchanged. It is expected that in 2024, the domestic economy will further improve at a moderate pace, with slow recovery in consumption, a slowdown in the decline of the real estate market, and a rebound in the growth of fixed asset investment and import and export trade. Deflation will gradually ease. As the main force of China's financial system, the Banking industry should firmly grasp the policy opportunities in the external environment, increase support for key areas, and provide long-term financial support for strategic initiatives such as technological innovation, expanding domestic demand, rural revitalization, and green development. It should also promote the benign improvement of its own scale and efficiency through serving the high-quality development of the real economy.

II. BUSINESS STRATEGY AND DEVELOPMENT PROSPECT

In 2023, led by the spirit of the Party's 20th National Congress, the Bank fully served the overall situation of high-quality development for provinces and cities, adhered to the development orientation of supporting agriculture and small businesses, and firmly abided by the bottom line of risk and compliance. The Bank vigorously developed the "four major financial services" of rural, industrial, consumer, and wealth, promoted structural transformation, improved product systems, deepened comprehensive marketing reform, and strengthened risk control systems. The Bank also optimized our internal control system, strengthened customer management, and built a strong team of professionals, which enhanced our competitive advantages, maintained a stable position in the national agricultural and commercial bank rankings, and strengthened our internal management. The Bank also continued to develop our small and micro-asset business model.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Bank continued to promote key business initiatives in accordance with the overall plan of the “14th Five-Year Plan” and used our four major characteristic financial services to promote the transformation and development of various businesses. In terms of corporate business, the Bank vigorously promoted the development of products for key industries and customer groups, such as “rural revitalization agricultural loans,” “rural revitalization village and community loans,” “automotive industry chain preferred enterprise loans,” “advanced manufacturing preferred enterprise loans,” and online supply chain factoring. By innovating products, the Bank strongly supported rural revitalization, the real economy, and green development. In terms of retail business, the Bank strengthened our customer-centric business philosophy, launched customer upgrade strategies and special activities, continued to expand our high-quality customer base, such as young people, social security, outstanding employees, medical and educational staff, etc., expanded our customer base through platform scenes, promoted product development and introduction, and precisely market according to different levels and categories. By doing so, the Bank promoted stable and robust growth, and optimized our debt structure in an orderly manner. In terms of inclusive small and micro-business, the Bank promoted the “3+4+5+N” product innovation and optimization strategy, gave full play to the marketing effect of our network, focused on serving small and micro businesses in specialized markets and industrial parks, open up target markets with characteristic products such as “easy loan for houses” and “small loan,” and reached out to customers in batches through the integration of public and private sectors to promote business expansion.

In addition to vigorously promoting business transformation and building characteristic competitive advantages, the Bank has also focused on strengthening internal control and optimizing our talent team. The Bank has made good progress in establishing a credit risk management system, large credit admission and quota management, normative systems and regulations, employee behavior management, as well as personnel selection and compensation and performance evaluation mechanisms, employee development, and talent training systems. At the same time, the Bank has strengthened our party building and optimized our corporate governance and information disclosure management, effectively implemented capital management and capital supplementation, continuously improved resource allocation efficiency, optimized technology management and organizational mechanisms, vigorously promoted digital transformation, and promoted brand promotion and corporate culture construction to continuously improve the quality and efficiency of business operations.

In 2024, which is a year of striving to improve efficiency and increase profits, the Bank will, based on the phased requirements of the development strategy and planning, deeply understand the political and people-oriented nature of financial work, fully implement the decisions and arrangements of the Central Economic Work Conference and the Central Financial Work Conference, and make scientific adjustments to our development strategy and business objectives based on our predictions of the domestic and international macroeconomic situation. The Bank will adhere to our development orientation, focus on supporting agriculture and small businesses, and continue to implement the “Profitability Improvement Year” activity, promote the construction of our core competitive advantages, and optimize our asset structure, strengthen risk control, deepen comprehensive marketing, and improve profitability. The Bank will inject financial “vitality” into the high-quality development of the province and city.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the Bank will adhere to the strategic vision of becoming a first-class commercial bank in China, adhere to our development orientation, and follow the overall thinking of “expanding the market, reducing risks, improving management, and increasing efficiency.” The Bank will make comprehensive efforts in our four major characteristic businesses, optimize our business structure, and achieve comprehensive management. The Bank will focus on promoting the expansion of small and micro-asset businesses, continue to deepen management reform and innovation, strengthen our internal control foundation, and build a strong marketing base. The Bank will also focus on promoting digital transformation, optimizing our institutional processes, enhancing risk control capabilities, and building collaborative mechanisms to consolidate our customer base, accelerate structural optimization, steadily increase our scale, and achieve healthy growth in profitability.

III. FINANCIAL REVIEW

(I) INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Interest income	41,745.75	43,818.40	(2,072.65)	(4.73)
Interest expense	(25,162.32)	(25,236.38)	74.06	(0.29)
Net interest income	16,583.43	18,582.02	(1,998.59)	(10.76)
Fee and commission income	1,262.16	1,697.76	(435.60)	(25.66)
Fee and commission expense	(415.07)	(315.68)	(99.39)	31.48
Net fee and commission income	847.09	1,382.08	(534.99)	(38.71)
Net trading income	109.02	1,077.38	(968.36)	(89.88)
Net gains or losses on financial investments	349.22	510.11	(160.89)	(31.54)
Other operating income, net	265.37	993.06	(727.69)	(73.28)
Operating income	18,154.13	22,544.65	(4,390.52)	(19.47)
Operating expenses	(6,815.37)	(7,346.18)	530.81	(7.23)
Credit impairment losses	(8,407.81)	(10,626.00)	2,218.19	(20.88)
Impairment losses on other assets	(18.07)	(62.12)	44.05	(70.91)
Profit before income tax	2,912.88	4,510.35	(1,597.47)	(35.42)
Income tax expense	346.63	(472.57)	819.20	(173.35)
Net profit	3,259.51	4,037.78	(778.27)	(19.27)

MANAGEMENT DISCUSSION AND ANALYSIS

1. Net Interest Income

In 2023, the net interest income of the Group amounted to RMB16,583 million, representing a year-on-year decrease of RMB1,999 million, or 10.76%, and accounting for 91.35% of our total operating income.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Interest income	41,745.75	43,818.40	(2,072.65)	(4.73)
Interest expense	(25,162.32)	(25,236.38)	74.06	(0.29)
Net interest income	16,583.43	18,582.02	(1,998.59)	(10.76)

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2023			For the twelve months ended 31 December 2022		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Average balance	Interest income/ expense	Average yield/cost rate (%)
Loans and advances to customers	695,963.15	29,492.07	4.24	664,045.00	32,739.73	4.93
Financial investments	303,808.45	8,867.22	2.92	253,952.98	7,994.14	3.15
Placements and deposits with banks and other financial institutions	84,740.05	1,717.14	2.03	59,209.79	1,331.98	2.25
Financial assets held under resale agreements	41,410.79	811.46	1.96	47,380.97	841.16	1.78
Due from central bank	63,341.15	857.86	1.35	72,771.10	911.39	1.25
Total interest-earning assets	1,189,263.59	41,745.75	3.51	1,097,359.84	43,818.40	3.99
Customer deposits	907,343.09	19,482.23	2.15	860,553.60	19,078.19	2.22
Placements and deposits from banks and other financial institutions and others	68,271.27	1,245.41	1.82	58,383.23	1,461.72	2.50
Financial assets sold under repurchase agreements	32,701.09	554.10	1.69	21,668.01	320.92	1.48
Debt securities issued	123,365.54	3,316.88	2.69	135,428.30	3,612.23	2.67
Borrowing from central bank	24,274.64	563.70	2.32	31,299.68	763.32	2.44
Total interest-bearing liabilities	1,155,955.63	25,162.32	2.18	1,107,332.82	25,236.38	2.28
Net interest income		16,583.43			18,582.02	
Net interest spread			1.33			1.71
Net interest margin			1.39			1.69

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, compared with the corresponding period of last year, the overall average yield of interest-earning assets decreased by 48 basis points to 3.51%, the overall average cost rate of interest-bearing liabilities decreased by 10 basis points to 2.18%, net interest spread decreased by 38 basis points to 1.33%, and net interest margin decreased by 30 basis points to 1.39%.

The following table sets forth changes in the Group's interest income and interest expense as compared to the corresponding period of last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		Net increase/decrease
	Volume factor	Rate factor	
Assets			
Loans and advances to customers	1,573.68	(4,821.34)	(3,247.66)
Financial investments	1,569.39	(696.31)	873.08
Placements and deposits with banks and other financial institutions	574.33	(189.17)	385.16
Financial assets held under resale agreements	(105.99)	76.29	(29.70)
Deposits with central bank	(118.10)	64.57	(53.53)
Changes in interest income	3,493.31	(5,565.96)	(2,072.65)
Liabilities			
Due to customers	1,037.31	(633.27)	404.04
Placements, deposits and others from banks and other financial institutions	247.56	(463.87)	(216.31)
Financial assets sold under repurchase agreements	163.41	69.77	233.18
Debt securities issued	(321.75)	26.41	(295.34)
Borrowing from central bank	(171.32)	(28.30)	(199.62)
Changes in interest expense	955.21	(1,029.26)	(74.05)

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Interest income

In 2023, interest income of the Group amounted to RMB41,746 million, representing a year-on-year decrease of RMB2,073 million or 4.73%.

① INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2023			For the twelve months ended 31 December 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	434,907.19	19,480.29	4.48	411,713.16	22,128.05	5.37
Personal loans	168,554.08	8,601.16	5.10	162,097.43	8,735.78	5.39
Discounted bills	92,501.88	1,410.62	1.52	90,234.41	1,875.90	2.08
Total loans and advances to customers	695,963.15	29,492.07	4.24	664,045.00	32,739.73	4.93

Interest income from loans and advances to customers amounted to RMB29,492 million, representing a year-on-year decrease of RMB3,248 million, or 9.92%, and the average yield decreased by 69 basis points to 4.24% as compared with last year.

② INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2023			For the twelve months ended 31 December 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits with banks and other financial institutions	84,740.05	1,717.14	2.03	59,209.79	1,331.98	2.25
Financial assets held under resale agreements	41,410.79	811.46	1.96	47,380.97	841.16	1.78
Total amounts due from banks and other financial institutions	126,150.84	2,528.60	2.00	106,590.76	2,173.14	2.04

In 2023, the interest of amounts due from banks and other financial institutions of the Group amounted to RMB2,529 million, representing a year-on-year increase of RMB355 million, or 16.36%.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Interest expense

In 2023, the Group's interest expense decreased by RMB74 million, or 0.29%, to RMB25,162 million as compared to the corresponding period of last year.

① INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2023			For the twelve months ended 31 December 2022		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	141,392.51	785.78	0.56	158,729.55	922.34	0.58
Time	199,915.62	6,283.84	3.14	204,014.82	6,718.73	3.29
Subtotal	341,308.13	7,069.62	2.07	362,744.37	7,641.07	2.11
Personal deposits						
Demand	130,417.52	305.67	0.23	128,434.01	375.57	0.29
Time	404,424.73	11,511.61	2.85	347,054.24	10,636.57	3.06
Subtotal	534,842.25	11,817.28	2.21	475,488.25	11,012.14	2.32
Other deposits	31,192.71	595.33	1.91	22,320.98	424.98	1.90
Total amounts due to customers	907,343.09	19,482.23	2.15	860,553.60	19,078.19	2.22

In 2023, the Group's interest expense on amounts due to customers amounted to RMB19,482 million, representing a year-on-year increase of RMB404 million, or 2.12%. In 2023, the average cost rate of deposits was 2.15%, representing a year-on-year decrease of 7 basis points. It was mainly due to a decrease in the interest ratio of time deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

② INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2023			For the twelve months ended 31 December 2022		
	Average balance	Interest expense	Average cost yield (%)	Average balance	Interest expense	Average cost yield (%)
Placements and deposits from banks and other financial institutions and others	68,271.27	1,245.41	1.82	58,383.23	1,461.72	2.50
Financial assets sold under repurchase agreements	32,701.09	554.10	1.69	21,668.01	320.92	1.48
Total amounts due to banks and other financial institutions	100,972.36	1,799.51	1.78	80,051.24	1,782.64	2.23

In 2023, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB1,800 million, representing a year-on-year increase of RMB17 million, or 0.95%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Non-interest Income

(1) Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Fee and commission income:				
Agency and custodian service fees	318.50	375.12	(56.62)	(15.09)
Syndicated loan fees	192.94	305.14	(112.20)	(36.77)
Settlement and electronic channel business fees	178.66	175.52	3.14	1.79
Bank card fees	177.00	197.33	(20.32)	(10.30)
Wealth management products related fee	173.76	239.34	(65.58)	(27.40)
Guarantee and commitment fees	116.18	143.19	(27.01)	(18.86)
Bond lending arrangements fees	63.20	80.72	(17.52)	(21.71)
Acceptance fees	22.82	23.12	(0.30)	(1.30)
Others	19.11	158.28	(139.18)	(87.93)
Subtotal	1,262.16	1,697.76	(435.60)	(25.66)
Fee and commission expense:				
Settlement and electronic channel business fees	(91.09)	(31.33)	(59.76)	190.74
Agency service fees	(69.10)	(57.89)	(11.21)	19.36
Bank card fees	(60.99)	(63.05)	2.06	(3.27)
Interbank services fees	(29.24)	(27.01)	(2.23)	8.26
Others	(164.66)	(136.40)	(28.26)	20.72
Subtotal	(415.07)	(315.68)	(99.39)	31.48
Net fee and commission income	847.09	1,382.09	(535.00)	(38.71)

In 2023, the net fee and commission income of the Group amounted to RMB847 million, representing a year-on-year decrease of RMB535 million, or 38.71%, and accounting for 4.67% of our total operating income.

(2) Net trading income

In 2023, the net trading income of the Group amounted to RMB109 million, which were mainly the interest income on financial assets at fair value through profit or loss.

(3) Net gains or losses on financial investments

In 2023, the net gains on financial investments of the Group amounted to RMB349 million, which were mainly the bid-ask spread of financial assets at fair value through other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Operating Expenses

In 2023, the operating expenses of the Group amounted to RMB6,815 million, representing a decrease of RMB531 million or 7.23% year on year.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Staff costs	4,312.53	4,855.35	(542.82)	(11.18)
Tax and surcharges	265.47	272.85	(7.38)	(2.70)
Depreciation and amortization	672.83	714.67	(41.84)	(5.85)
Others	1,564.54	1,503.31	61.23	4.07
Total operating expenses	6,815.37	7,346.18	(530.81)	(7.23)

(1) Staff costs

Staff costs represent the largest component of operating expenses of the Group, accounting for 63.28% and 66.09% of our operating expenses for the years ended 31 December 2023 and 2022, respectively.

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Salaries, bonuses and allowances (include early retirement)	2,761.33	3,323.76	(562.43)	(16.92)
Social insurance, employee benefits and others	1,551.20	1,531.59	19.61	1.28
Total staff costs	4,312.53	4,855.35	(542.82)	(11.18)

In 2023, staff costs of the Group amounted to RMB4,313 million, representing a year-on-year decrease of RMB5.43 million, or 11.18%, mainly due to the decrease in salaries, bonuses and allowances of the Group's employees.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Tax and surcharges

In 2023, tax and surcharges of the Group incurred amounted to RMB265 million, representing a year-on-year decrease of RMB7 million, or 2.70%.

(3) Depreciation and amortization

In 2023, depreciation and amortization of the Group was RMB673 million, representing a year-on-year decrease of RMB42 million, or 5.85%.

4. Impairment Losses on Assets

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2023	For the year ended 31 December 2022	Change in amount	Rate of change (%)
Credit impairment losses	8,407.81	10,626.00	(2,218.19)	(20.88)
Impairment losses on other assets	18.07	62.12	(44.05)	(70.91)
Total impairment losses on assets	8,425.88	10,688.12	(2,262.24)	(21.17)

In 2023, the provisions for impairment losses on assets of the Group amounted to RMB8,426 million. Among them, provision for credit impairment losses amounted to RMB8,408 million.

5. Income Tax Expense

In 2023, the effective income tax rate was negative, which was mainly due to the decrease in profit before tax and the relatively large scale of tax-exempt business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) ANALYSIS OF STATEMENT OF FINANCIAL POSITION

1. Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	731,318.25	55.65	691,971.92	56.10
Allowances for impairment losses	(22,409.67)	(1.70)	(22,854.05)	(1.85)
Loans and advances to customers, net	708,908.58	53.95	669,117.87	54.25
Financial investments ⁽¹⁾	410,896.51	31.27	349,437.11	28.33
Cash and deposits with the central bank	80,863.85	6.15	87,256.14	7.07
Deposits with banks and other financial institutions	14,942.73	1.14	7,764.64	0.63
Placements with banks and other financial institutions	55,472.50	4.22	43,468.97	3.52
Financial assets held under resale agreements	23,205.25	1.77	57,474.33	4.66
Others ⁽²⁾	19,753.03	1.50	18,935.39	1.54
Total assets	1,314,042.45	100.00	1,233,454.45	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets and others.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Group's total assets amounted to RMB1,314.042 billion, representing an increase of RMB80.588 billion, or 6.53%, as compared to the end of last year. Among which, the total loans and advances to customers increased by RMB39.346 billion, or 5.69%, as compared to the end of last year, primarily due to the increased support for the real economy, resulting in the steady growth of the loan scale.

Financial investments increased by RMB61.459 billion, or 17.59%, as compared to the end of last year, primarily due to the increase in bond investment.

Total deposits and placements with banks and other financial institutions decreased by RMB7.178 billion and RMB12.004 billion, respectively, primarily due to the increase in business based on market conditions and intra-group balance sheet arrangements.

(1) Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
General corporate loans	428,956.89	58.66	440,584.66	63.67
Personal loans	175,094.14	23.94	165,958.71	23.98
Discount and forfaiting	127,267.22	17.40	85,428.55	12.35
Total loans and advances to customers	731,318.25	100.00	691,971.92	100.00

As at 31 December 2023, total loans and advances to customers of the Group increased by RMB39.346 billion, or 5.69%, to RMB731.318 billion as compared to the end of last year.

As compared to the end of last year, total general corporate loans decreased by RMB11,628 million, or 2.64%, to RMB428,957 million; total personal loans increased by RMB9,135 million, or 5.50%, to RMB175,094 million; and the Group's total discount and forfaiting increased by RMB41,839 million, or 48.98%, to RMB127,267 million.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total Corporate loans	556,224.11	76.06	526,013.21	76.02
General corporate loans	428,956.89	58.66	440,584.66	63.67
Discounted bills and forfeiting	127,267.22	17.40	85,428.55	12.35
Total Personal loans	175,094.14	23.94	165,958.71	23.98
Personal mortgage loans	71,152.81	9.73	73,570.72	10.63
Personal business loans	76,605.07	10.47	71,236.82	10.29
Personal consumption loans	15,560.17	2.13	10,999.74	1.59
Balance of credit cards	11,776.09	1.61	10,151.43	1.47
Total loans and advances to customers	731,318.25	100.00	691,971.92	100.00

As at 31 December 2023, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards amounted to RMB71,153 million, RMB76,605 million, RMB15,560 million and RMB11,776 million, respectively, representing 9.73%, 10.47%, 2.13% and 1.61% of our total personal loans, respectively. Among which, personal business loans, personal consumption loans and balance of credit cards increased by RMB5,368 million, RMB4,560 million and RMB1,625 million, or 7.54%, 41.46% and 16.00%, as compared to the end of last year, respectively, while personal mortgage loans decreased by RMB2,418 million, or 3.29%, as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	330,312.26	45.17	331,676.97	47.93
Pledged loans	32,792.22	4.48	36,930.81	5.34
Guaranteed loans	170,588.39	23.33	163,524.69	23.63
Unsecured loans	197,625.38	27.02	159,839.45	23.10
Total loans and advances to customers	731,318.25	100.00	691,971.92	100.00

The proportion of collateralized and pledged loans to total loans was as high as 49.65%, reflecting the Group's prudent risk management policy.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Investments

The following table sets forth the composition of investments of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	67,798.26	16.50	81,974.53	23.46
Financial assets at fair value through other comprehensive income	126,167.82	30.71	70,945.26	20.30
Financial assets measured at amortized cost	216,930.43	52.79	196,517.32	56.24
Total investments	410,896.51	100.00	349,437.11	100.00

As at 31 December 2023, total investments of the Group increased by RMB61.459 billion, or 17.59%, to RMB410.897 billion as compared to the end of last year.

2. Liabilities

The following table sets forth the composition of total liabilities of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	947,186.02	77.80	910,485.03	79.51
Deposits from banks and other financial institutions	42,549.92	3.49	29,324.94	2.56
Placements from banks and other financial institutions	5,383.59	0.44	3,342.94	0.29
Financial assets sold under repurchase agreements	51,701.12	4.25	38,717.32	3.38
Debt securities issued	127,863.51	10.50	124,580.53	10.88
Others ⁽¹⁾	42,817.41	3.52	38,754.59	3.38
Total liabilities	1,217,501.57	100.00	1,145,205.35	100.00

Note:

- (1) Mainly included tax payable, borrowings from central bank and salaries, bonuses, allowances and subsidies payable.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, total liabilities of the Group increased by RMB72.296 billion, or 6.31%, to RMB1,217.502 billion as compared to the end of last year. The amount due to customers stably increased by RMB36.701 billion, or 4.03%, as compared to the end of last year.

(1) *Due to customers*

The following table sets forth the amount due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits⁽¹⁾				
Time	198,127.06	20.92	189,613.48	20.83
Demand	144,151.62	15.22	168,622.67	18.52
Subtotal	342,278.68	36.14	358,236.15	39.35
Personal deposits				
Time	438,771.79	46.32	385,529.07	42.34
Demand	129,811.31	13.70	132,841.55	14.59
Subtotal	568,583.10	60.02	518,370.62	56.93
Pledged deposits	35,791.24	3.78	33,083.27	3.63
Other deposits⁽²⁾	533.00	0.06	794.99	0.09
Due to customers	947,186.02	100.00	910,485.03	100.00

Notes:

- (1) Mainly included deposits from corporate customers and government bodies.
 (2) Mainly included treasury time deposits, fiscal deposits, etc.

As at 31 December 2023, the amount due to customers increased by RMB36,701 million, or 4.03%, to RMB947,186 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 60.02% of our total amount due to customers, and the balance of personal deposits increased by RMB50,212 million, or 9.69%, as compared to the end of last year; corporate deposits (excluding pledged deposits) accounted for 36.14% of our total amount due to customers, and the balance of corporate deposits decreased by RMB15,957 million, or 4.45%, as compared to the end of last year. With respect to the maturity structure, the balance of demand deposits accounted for 28.92% of our total amount due to customers, representing a decrease of 4.19 percentage points over the end of last year, while time deposits accounted for 67.24%, representing an increase of 4.07 percentage points over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	14,409.79	14.93	11,451.27	12.98
Preference shares	9,820.73	10.17	9,820.73	11.13
Capital reserve	22,420.96	23.22	18,951.20	21.47
Surplus reserve	5,844.02	6.05	5,650.36	6.40
General risk reserve	16,835.89	17.44	15,770.29	17.87
Investment revaluation reserve	50.90	0.05	(505.15)	(0.57)
Remeasurement gains on defined benefit plans	(78.01)	(0.07)	(54.65)	(0.07)
Retained earnings	19,521.90	20.22	19,994.52	22.66
Non-controlling interests	7,714.70	7.99	7,170.53	8.13
Total shareholders' equity	96,540.88	100.00	88,249.10	100.00

As at 31 December 2023, the Group recorded a paid-in capital of RMB14.410 billion, capital reserve of RMB22.421 billion and retained earnings of RMB19.522 billion. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) LOAN QUALITY ANALYSIS

1. Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	671,939.89	91.88	624,007.98	90.18
Special mention	45,726.49	6.25	53,366.69	7.71
Substandard	6,955.56	0.95	5,745.54	0.83
Doubtful	5,176.15	0.71	8,013.10	1.16
Loss	1,520.16	0.21	838.61	0.12
Total loans and advances to customers	731,318.25	100.00	691,971.92	100
Non-performing loan ratio⁽¹⁾	–	1.87	–	2.11

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complicated and difficult external environment, the Group continued to intensify its efforts in risk mitigation and non-performing loans disposal. As at 31 December 2023, the non-performing loan ratio of the Group was 1.87%, which decreased by 0.24 percentage point from the end of last year, while the proportion of loans under the category of "special mention" was 6.25%, which decreased by 1.46 percentage points from the end of last year.

2. Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023			As at 31 December 2022		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Corporate loans	9,789.07	71.71	2.28	11,879.50	81.38	2.70
Personal loans	3,862.80	28.29	2.21	2,717.75	18.62	1.64
Total non-performing loans	13,651.87	100.00	1.87	14,597.25	100.00	2.11

Note:

(1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023			As at 31 December 2022		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Real estate	3,156.72	32.25	5.94	1,604.12	13.50	2.83
Wholesale and retail	2,816.57	28.77	5.65	4,435.86	37.34	7.60
Leasing and commercial services	961.91	9.83	0.81	4,454.75	37.50	3.57
Household, repair and other services	913.49	9.33	4.53	58.75	0.49	0.28
Manufacturing	681.48	6.96	1.36	567.84	4.78	1.18
Construction	419.53	4.29	1.17	184.30	1.55	0.50
Agriculture, forestry, animal husbandry and fishery	409.90	4.19	3.79	118.60	1.00	1.08
Healthcare and social welfare	135.61	1.38	6.59	138.77	1.17	5.76
Information transmission, software and information technology services	87.25	0.89	1.19	80.85	0.68	1.14
Education	52.50	0.53	0.46	31.61	0.27	0.25
Water conservation, environment and public utilities management	37.22	0.38	0.30	0.02	0.00	0.00
Hotel and catering	27.24	0.28	0.25	49.15	0.41	0.37
Transportation, storage and postal services	26.00	0.27	0.16	45.01	0.38	0.26
Production and supply of electricity, heat, gas and water	0.15	0.00	0.00	93.39	0.79	2.02
Others	63.50	0.65	0.30	16.48	0.14	0.10
Total non-performing corporate loans	9,789.07	100.00	2.28	11,879.50	100.00	2.70

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

MANAGEMENT DISCUSSION AND ANALYSIS

4. *Overdue Loans to Customers*

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	688,534.45	94.15	665,036.30	96.11
Loans that were past due	42,783.80	5.85	26,935.62	3.89
Within 3 months	29,879.88	4.09	11,960.02	1.73
3 months to 1 year	5,577.12	0.76	7,087.52	1.02
1 year to 3 years	6,943.18	0.95	5,090.02	0.74
Over 3 years	383.62	0.05	2,798.06	0.40
Total loans and advances to customers	731,318.25	100.00	691,971.92	100.00

As at 31 December 2023, overdue loans amounted to RMB42,784 million, representing an increase of RMB15,848 million over the end of the previous year and accounting for 5.85%, representing an increase of 1.96 percentage points as compared with the end of the previous year.

5. *Rescheduled Loans and Advances*

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	26,077.92	3.57	23,003.54	3.32

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by the weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023	As at 31 December 2022
Core Tier 1 capital adequacy ratio	9.83%	9.21%
Tier 1 capital adequacy ratio	11.12%	10.56%
Capital adequacy ratio	13.67%	12.59%
Portion of paid-in capital that may be included	14,409.79	11,451.27
Portion of capital reserve that may be included	22,420.96	18,951.20
Surplus reserve	5,844.02	5,650.36
General risk reserve	16,835.89	15,770.29
Retained earnings	19,521.90	19,994.52
Portion of minority interests that may be included	2,903.53	2,735.35
Others	(27.11)	(559.80)
Total core Tier 1 capital	81,908.97	73,993.19
Regulatory deductions for core Tier 1 capital	(4,160.30)	(4,145.51)
Goodwill and other intangible assets (excluding land use rights)	(1,087.57)	(1,018.36)
Core Tier 1 capital, net	77,748.67	69,847.69
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	419.03	397.45
Net Tier 1 capital	87,988.43	80,065.87
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	14,999.05	9,999.14
Excessive loan loss allowances	4,311.94	4,575.53
Portion of minority interests that may be included	808.63	766.53
Net capital	108,108.05	95,407.08
Total risk-weighted assets	791,000.17	758,009.74

As at 31 December 2023, the Group's capital adequacy ratio was 13.67%, representing an increase of 1.08 percentage points over the end of last year, mainly due to the growth rate of net capital over the end of the last year exceeded that of risk-weighted assets over the end of the last year. Net capital was RMB108,108 million, representing an increase of RMB12,701 million or 13.31% over the end of the last year, mainly due to the Bank's successful replenishment of capital through private placement. Risk-weighted assets amounted to RMB791,000 million, representing an increase of RMB32,990 million, or 4.35% over the end of the last the year, mainly due to the increase in credit risk-weighted assets for on-balance sheet businesses and market risk-weighted assets over the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) ANALYSIS OF LEVERAGE RATIO

As at 31 December 2023, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) as follows:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2023
Net Tier 1 capital	87,988.43
The balance of assets on and off balance sheet after adjustments	1,391,938.58
Leverage ratio (%)	6.32%

(VI) SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2023		2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	8,894.16	49.00	11,449.24	50.78
Retail banking business	7,193.31	39.62	8,932.27	39.62
Financial market business	1,806.97	9.95	1,659.03	7.36
Others	259.69	1.43	504.11	2.24
Total operating income	18,154.13	100.00	22,544.65	100.00

(VII) ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items mainly include loan commitments, acceptance bills, issuance of letters of guarantee, unused credit card limit and issuance of letters of credit generated in the course of ordinary business of the Group. As at 31 December 2023, the balances of loan commitments, acceptance bills, issuance of letters of guarantee, unused credit card limit and issuance of letters of credit were RMB101,149 million, RMB52,096 million, RMB30,119 million, RMB20,288 million and RMB5,135 million, respectively.

(VIII) CONTINGENT LIABILITIES AND ASSETS PLEDGED AS SECURITY

For details of the Group's contingent liabilities and assets pledged as security as at 31 December 2023, please refer to notes 40 and 42 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. BUSINESS OPERATION

(I) Corporate Banking Business

1. Corporate Deposit Business

In 2023, the Bank focused on marketing to small and medium-sized enterprises, continued to expand our effective customer base while implementing our customer growth plan, and strengthened our customer foundation to promote the high-quality development of our corporate deposit business. With a customer-centric approach, the Bank improved our comprehensive use of transaction settlement products such as cash management in various financial scenarios and accurately profiling customers, continued to grow our settlement deposits, optimized the maturity structure of deposits, and effectively reduced our debt costs. The Bank fully implemented the “Hundred-Thousand-Million Project” and comprehensively promoted the requirements of the rural revitalization strategy, effectively improving the quality and effectiveness of financial support for rural revitalization. Through solidly advancing graded management of villages and communities, deepening the construction of rural financial scenarios, and continuously enriching and optimizing the product and service system for villages and communities, the Bank specialized in integrated management of villages and communities and built a strong “rural financial defense.” The Bank leveraged the advantages of our branch distribution and local financial institutions, continued to expand our cooperation with government agencies at the provincial, municipal, and town levels, and created a marketing ecosystem where government institutions were the center and all institutions’ business mutually reinforced each other. As of the end of the Reporting Period, the Bank ranked fourth in terms of the scale of the point of time for its corporate deposits in the same industry in Guangzhou area.

2. Corporate Loan Business

In 2023, the Bank adhered to the central and provincial “14th Five-Year Plan” as guidance, and implemented the specific deployment of the Provincial Committee’s “1310” and the City Committee’s “1312” mindset and measures. The Bank focused on our local main responsibilities and firmly supported the development of the real economy. The Bank increased our support for key industries and enterprises in Guangdong Province and Guangzhou City, actively responded to the “Nansha Plan,” and issued specific implementation plans to deepen and solidify our local financial services. The Bank adhered to the original intention of our local rural financial institutions and continued to strengthen financial services for small and medium-sized enterprises and agriculture-related enterprises. The Bank flexibly utilized preferential policies such as the People’s Bank of China’s loans for agriculture and small businesses to effectively implement policies that benefit enterprises. The Bank continued to optimize the structure of our corporate loan customer base, improve the fit and integration of our business development with the local industries, and optimize the structure of our asset business. The Bank actively strengthened agricultural finance, improved rural finance, and specialized in financial services for farmers. The Bank solidly promoted key tasks in rural revitalization through comprehensive financial services. The Bank actively supported the innovative development of green finance in Guangzhou City, continuously strengthened top-level design for green finance development, and promoted the innovation of green finance products. The Bank contributed to the overall green and low-carbon transformation of economic and social development. The Bank continued to optimize and iterate our existing corporate credit products, and innovatively developed special products such as loans for excellent enterprises in the automobile industry. While meeting the basic financing needs of enterprises, the Bank provided targeted financial services for specific industries such as the automobile industry chain, industrial parks, and specialized and innovative enterprises. The Bank gradually built a well-positioned, comprehensive, and diversified corporate financial product and service system, and fully empowered the high-quality development of our corporate business.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Trading Bank Business

In 2023, the Bank's transaction banking business was guided by high-quality development, promoting the deep integration of technology and business, and constructing service solutions covering products of rural finance, industrial finance, and cross-border finance. In respect of rural finance, the Bank continued to provide systematic support services for the digital transformation of rural financial management, cooperated with rural management institutions at all levels, and built a distinctive product system of "smart villages" and "smart livelihoods," continuously expanding the coverage of rural financial services and supporting rural revitalization and development. In respect of industrial finance, the Bank implemented the requirement of serving the real economy, promoted the digital ecology construction of the supply chain finance industry, continued to expand our online settlement and financing service channels and launched the new "Jin Mi Guan Jia" one-stop mobile financial service platform for corporate clients, "Cloud Chain" online factoring platform, upgraded and iterated the 3.0 version of our corporate online banking and other platforms in 2023, continuously improving the quality and efficiency of financial services for market entities and achieving steady growth of supply chain financial business. In respect of cross-border finance, the Bank actively integrated into and served the construction of the Guangdong- Hong Kong-Macao Greater Bay Area, launched the "Jin Mi Zhi Ying" cross-border financial service solution, established a dual-channel cross-border settlement system using SWIFT and CIPS, deepening cross-border cooperation, and providing high-level and convenient cross-border trade settlement and investment and financing services for qualified enterprises, contributing to the connection of domestic and international dual circulation.

4. Investment Banking Business

In 2023, the Bank fully leveraged the advantage of being a local lead underwriter, adhering to the development philosophy of light capitalization, and constructing an investment banking product system mainly consisting of direct financing, asset securitization, and structured financing. The Bank used a diverse range of investment banking products to support the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and contributed to the revitalization of the old city of Guangzhou. Driven by innovation, the Bank actively responded to national development strategies by using products such as syndicated loans to support the development of the real economy in the Bay Area, assisted enterprises in issuing innovative bonds such as carbon-neutral bonds, technology innovation bonds, and green bonds, awarding the WIND Best Interbank Debt Financing Instrument Underwriter Excellence Award (by Rural Commercial Bank) for four consecutive years. The Bank adhered to the empowerment of technology and use digital transformation as a driving force to promote the comprehensive integration of investment banking product innovation, market expansion, customer maintenance, and intelligent management, awarding the Second Prize for the 31st Modernization and Innovation of Enterprise Management of Guangdong Province during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Retail Finance Business

1. Retail Deposit Business

In 2023, the Bank resolutely implemented the new development concept, continued to strengthen product and channel construction, and promoted stable growth of deposits and savings. Firstly, the Bank focused on customer needs and innovatively launched “Linked Savings(連·存)” and “Flexible Savings (隨·存)” featured deposit products, providing customers with a variety of product options and proactively expanding product handling channels. Secondly, the Bank optimized the debt structure, reduced interest costs, and promoted high-quality development of deposit business. Thirdly, the Bank continued to promote financial services for the house rental scene and improve the digital financial service level for urban and rural rental scenarios. As of the end of the Reporting Period, the Bank’s deposits and savings reached RMB457 billion, maintaining second place in the interbank rankings in Guangzhou.

2. Retail Loan Business

In 2023, the Bank adhered to customer-centricity, focused on small and medium-sized consumer scenarios, continuously enriched our financial product system, and comprehensively improved our financial service level, creating a multi-level, integrated, and comprehensive retail financial ecosystem for our customers. Firstly, the Bank conducted in-depth research and actively promoted the growth acceleration of consumer loans. By segmenting customer needs and characteristics, the Bank launched preferential programs for high-quality customer group consumer loans, achieving a 4.4-time increase in offline consumer loan business compared to 2022. Secondly, the Bank took a proactive approach and played a role in areas such as financial institution service guarantee and improving people’s livelihood. By setting up service hotlines, quickly releasing detailed announcements, etc., the Bank promptly adjusted the interest rates for first-home loans for over 51,700 existing mortgage customers, expecting to reduce customers’ interest expenses by RMB400 million per year. Thirdly, the Bank optimized processes and comprehensively improved the convenience and efficiency of business handling. By simplifying the application materials for offline consumer loans, opening online application channels, and diversifying repayment methods, the Bank provided customers with convenient financial services. At the same time, by improving and perfecting the second-hand housing transfer service, the processing time was reduced from the original 40 days to 10 days, effectively reducing the cost and time of housing transactions for citizens, and achieving a nearly 200% year-on-year increase in second-hand mortgage transactions for the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Wealth Management Business

In 2023, the Bank continued to focus on customer-orientation and build core capabilities for wealth management and private banking, meeting the wealth management needs of residents in the Greater Bay Area and supporting the high-quality development of the area through a rich supply of wealth products and considerate professional services. Firstly, the Bank established a complete scenario-based product system, and based on product characteristics and customer needs, the Bank built seven major Jin Mi wealth product systems, including “Five Riches(五富臨門)” wealth management products, “Guardian Alliance(守護聯盟)” insurance products, “Foundation Never Lost(基不可失)” fund products, “Strong Nation, Prosperous Home(強國興家)” savings national bonds, “From Drops to Gold(點滴成金)” gold products, “Adding Flowers to the Brocade(錦上添花)” asset management products, and “Long-lasting Family(基業長青)” family trusts, meeting customers’ diverse asset allocation needs for preservation, appreciation, protection, and inheritance. Secondly, the Bank enhanced comprehensive professional services, upgraded the Wealth Management Center, and provided considerate and professional wealth services throughout the entire investment process in the “pre, middle, and post” periods. Thirdly, the Bank achieved dual upgrades of internal business systems and external client usage systems, meeting customers’ needs for timely and convenient business handling and improving customer service experience.

4. Bank Card Business

In 2023, the Bank closely follows policy guidance and continuously enriches debit card products, vigorously developing debit card businesses. Firstly, in line with the construction of the Greater Bay Area talent highland, the Bank continued to promote the “Leading Guangdong” series of themed debit cards, helping to build a financial service guarantee system for the worry-free settlement and life of talents in the Bay Area. Secondly, the Bank expanded the scope and depth of social security card services, strengthened business channel construction, and launched the “Medical Credit No-touch Payment(就醫信用無感支付)” project, effectively improving the quality and efficiency of pension financial services for urban and rural residents. As at the end of the Reporting Period, the Bank issued over 580,000 new debit cards, with a total of over 7.97 million outstanding debit cards, and nearly 500 outlets of the Bank providing social security card business handling, with approximately 140,000 new social security cards issued.

MANAGEMENT DISCUSSION AND ANALYSIS

5. *Credit Card Business*

In 2023, the Bank's credit card business remained committed to returning to the core of consumption, focusing on expanding domestic demand, driving consumption, and serving people's livelihoods. The Bank put great effort into building a consumption scene ecosystem, highlighting the "Lucky Wednesday" travel brand activity day, and focusing on "local preferential" characteristic resources. The Bank comprehensively promoted large-scale consumption installment plans such as home decoration, family, and travel, practicing our initial goal of benefiting the public through finance. During the Reporting Period, the Bank launched a new version of the mobile marketing system, leading customers to enjoy the Bank's ultra-fast application service at their will. The Bank also launched high installment plans with instant approval and loans, allowing customers to enjoy the Bank's no-touch approval anytime, anywhere. Additionally, the Bank introduced the Jin Mi OK card, leading the Bank's young mass customers to enjoy the trend of local consumption, and the Jin Mi Cultural and Tourist Card, leading the Bank's credit card mass users to enjoy popular cultural and tourist benefits and services. As of the end of the Reporting Period, in terms of the high installment business under the credit card business of the Bank, the Bank granted 30,000 issuances for the year, representing a year-on-year increase of 48%; the amount of the issuances for the year was RMB3.68 billion, representing a year-on-year increase of 79%.

(III) **Financial Market Business**

In 2023, the Bank's financial market business adhered to the concept of steady operation, strengthened risk assessment, grasped market trends, and achieved continuous optimization of business structure and steady enhancement of profitability. Firstly, the business layout was stable and balanced and the investment income increased steadily. The Bank continued to focus on the development direction of low-risk businesses, dynamically optimized the asset structure, gradually increased investment in high-quality assets such as interest-bearing bonds, and fully utilized the "ballast stone" effect of bond investment. During the Reporting Period, the Bank's bond trading volume amounted to nearly RMB1 trillion, representing a year-on-year increase of approximately 6.1%. As at the end of the Reporting Period, the balance of bonds exceeded RMB250 billion, representing a year-on-year increase of approximately 27%; the Bank has strengthened the fine-grained management of debt to effectively reduce consolidated costs; and has continued to strengthen forward-looking market research and judgment to effectively enhance the science and timeliness of investment and financing decisions. Secondly, the Bank has become more active in capital transactions, and market influence significantly increased. The Bank actively fulfilled various responsibilities as a primary dealer in the open market, improved fund utilization efficiency, and steadily expanded the coverage of interbank trading counterparts. At the same time, the Bank actively promoted innovative cross-border financial cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area, leveraged regional advantages, and supported the development of the offshore RMB market in Macao. During the Reporting Period, the transaction volume of the Bank's fund business trading amounted to approximately RMB14.9 trillion, representing a year-on-year increase of approximately 25%. Thirdly, the Bank has comprehensively deepened its interbank customer operation and effectively enhanced its service quality. The Bank continued to promote the construction of an interbank customer management system, accurately carry out household and classified management, create a high-quality "friend circles" of interbank, proactively expand the depth and breadth of business cooperation, effectively integrated business resources to provide high-quality financial services for interbank customers and continuously enhance the industry influence of the Bank's interbank business.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Asset Management Business

In 2023, the Bank fully implemented the new asset management regulations, adapted to industry development trends, and steadily developed wealth management businesses. Firstly, the Bank has created five wealth management sub-brands, including “Stable Wealth (穩富)”, “Adding Wealth (添富)”, “Jiafu (嘉富)”, “Ruifu (睿富)” and “Hongfu(鴻富)”, to meet the diverse wealth management needs of customers. Secondly, the Bank further improved the fine-grained service level for customer groups, launched new products such as the shortest holding period and “T+0.5” cash management type wealth management, continuously upgraded product functions, and achieved a precise service chain of “product shelf-target customer group-characteristic product-investor accompany”, actively promoting the development of wealth management financial businesses.

(V) Asset Custody Business

Since obtaining the qualifications for securities investment fund custody and insurance asset custody in 2014 and 2015, respectively, the Bank has actively adapted to market changes and continuously improved the professionalism and refinement level of custody business, providing safe, efficient, and convenient custody services to more than 580 clients such as banks, securities firms, and fund companies.

(VI) Inclusive and Small and Micro Enterprises Businesses

In 2023, the Bank implemented the national major strategies and policy deployments, as well as the requirements of governments at all levels to support the development of inclusive and small and micro businesses, and focused on the idea of “increasing profits, strengthening customer groups, improving quality, and creating brands”, promoting high-quality development of inclusive and small and micro businesses. Firstly, the Bank has continued to improve the construction of the inclusive financial system, and has set up 13 inclusive and small and micro business departments in Guangzhou, which are responsible for the marketing strategy, business analysis, customer marketing management, products promotion, and other management and promotion work of the institution’s inclusive and small and micro business, so as to vigorously promote the expansion of inclusive and small and micro business. Secondly, the Bank has followed the market trend and enriched its product system. The Bank has created exclusive products and product combinations such as Fangyidai (房易貸), villagers’ wealth loans (村民致富貸), and technology loans (科技貸) for high-quality community residents, high-quality villagers, and national strategic industry segments. For professional markets, parks and other customer segments, the Bank has developed a portrait of small and micro enterprises and launched a special product programme for micro-credit loans. In response to the lack of conventional collateral for private SMEs, the Bank has launched exclusive products such as the Sihudai (四化貸) loan and the entrepreneurial guarantee loan (創業擔保貸). Thirdly, the Bank has accelerated online product development to improve customer experience. the Bank has carried out the construction and optimisation of online businesses such as “online Fangyidai (線上房易貸)”, “villagers’ e loans (村民e貸)” and “speedy e loans (速e貸)”, and promoted the innovation of inclusive and small and micro businesses to gradually move towards “precision, online”, and continuously improved our digital management capability. The Bank has developed and launched the online payment (mobile phone) function for inclusive and small and micro products and services to enhance the level of online business of inclusive and small and micro products and services in a comprehensive manner. As of the end of the Reporting Period, the Bank’s inclusive loans for small and micro-enterprise amounted to RMB45.473 billion, representing an increase of RMB4.248 billion or 10.31% over the beginning of the year, serving 36,821 small and micro-enterprises, representing an increase of 695 over the beginning of the year. The accumulated loan placements in current year amounted to RMB34.729 billion, and the weighted average interest rate was 4.33%, representing a decrease of 0.12 percentage point over last year, and all the indicators were in compliance with the supervision requirements. The inclusive loans related to agriculture amounted to RMB10.522 billion, representing an increase of RMB2.113 billion from the beginning of the year, with a growth rate of 25.12%. All regulatory indicators for inclusive and small and micro businesses of the Bank were fully met.

MANAGEMENT DISCUSSION AND ANALYSIS

(VII) Distribution Channels

1. *Physical Outlets*

As of the end of the Reporting Period, the Bank had 585 branches (including 1 franchise institution), of which 565 were located in the Guangzhou region (including 1 franchise institution) and 20 were non-local branches in the province. In terms of the number of branches in the Guangzhou region, the Bank ranked first among the Banks in Guangzhou. The Bank operated 5 non-local branches and 15 sub-branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai Hengqin Free Trade Zone.

2. *Self-service Banking*

As of the end of the Reporting Period, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 1,589, among which 855 were ATMs, 132 were self-service inquiry terminals and 602 were smart service terminals.

3. *Smart Banking*

As of the end of the Reporting Period, the Bank had a total of 495 smart banking outlets, where 602 STMs, smart facilities, were installed.

4. *E-channel*

(1) *Mobile Banking*

During the Reporting Period, the mobile banking app version 7.0 was launched by the Bank. The new version of mobile banking, as the Bank's comprehensive mobile Internet service portal for retail customers, opened up intelligent online business halls, WeChat banking, enterprise WeChat and eco-scenario financial services, which reconstructed business processes from a customer-centric perspective with a brand-new visual presentation, and significantly improved the level of intelligent interactive experience, intelligent risk control and digital operation. As at the end of the Reporting Period, the Bank had 4,147,000 mobile banking customers, representing an increase of 4.3% over the end of last year.

(2) *Internet Banking*

In 2023, the Bank comprehensively upgraded the corporate online banking through digital financial technology, while completing iterative optimization centering on customer experience and revolving around basic services, platform capabilities, risk management and other aspects. The Bank comprehensively improved customer experience, with 30,500 corporate online banking signed customers and a transaction amount of RMB1.0609 trillion.

(3) *Jinmi Mall*

The Bank has always upheld the purpose of serving agriculture, rural areas, and farmers, fully utilizing the "Jinmi Mall" e-commerce platform, and deepening support for the "digital business revitalizing agriculture" and "Internet +" agricultural products going out of villages and into cities project, helping agricultural enterprises and households expand their sales channels. In 2023, the Bank sold nearly 45,000 agricultural products and had a sales volume of nearly RMB1.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

V. FINANCIAL TECHNOLOGY

In 2023, the Bank has been actively promoting the digital transformation of the entire bank, deepening the application of technology to assist in business innovation and efficiency, continuously increasing the investment in technology resources, and strengthening the capacity of technological innovation and application, to achieve a steady improvement in the financial technology team and the overall capacity of technology. At the end of the Reporting Period, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

(I) Continuously enhancing capacities in science and technology governance

In 2023, the Bank endeavored to improve capabilities in science and technology governance and management, established a top-down information technology management framework (consisting of the Board of Directors and the senior management, the science and technology finance committee, the information technology risk management department and the financial science and technology departments) and persistently implemented the “three lines of defense” for information technology risk management. The Bank improved the review function of the science and technology finance committee on major issues in finance and science and technology management, information technology risk management, innovation management and data governance. The Bank also established a financial technology professional management office, fully implemented research and development quality improvement plans, explored agile development and rapid response mechanisms for integration of business and technology, and took multiple measures to optimize our technology governance system and continuously improve our technology-enabled business capabilities. During the Reporting Period, the senior management and the science and technology finance committee reviewed and organized the implementation of important proposals in the fields of information technology risk management, scientific and technological innovation, data governance, and network security, etc.

(II) Comprehensively advancing digital transformation

In 2023, the Bank firmly adhered to strategic guidance and formulated the “Guangzhou Rural Commercial Bank Digital Transformation Overall Plan (2023–2025)”. The Bank strengthened top-level design, established a digital transformation leadership group and office, and followed a dual-track strategy of “breaking through first and persisting in strategy” to focus on digital transformation of small and medium-sized asset businesses. The Bank comprehensively promoted the digital construction of the entire bank, steadily promoted the transformation and upgrade of service channels, customer management, product innovation, risk prevention and control, data application, and internal comprehensive management, and provided solid technological support for increasing business volume, improving management quality, and enhancing development efficiency. In 2023, the Bank successfully launched 33 system development projects such as the new version of our mobile banking app, 5G smart flagship branch information system, and self-service query platform for business data, and achieved the goal of online transformation of small and medium-sized asset businesses as scheduled, effectively supporting the development and management of all major business segments of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Effectively enhancing information security guarantee

In 2023, the Bank continued to strengthen information security protection capabilities, thoroughly implemented national and regulatory requirements for network security, improved relevant management systems, implemented a network security management responsibility system at all levels, and promoted various network security management measures such as network security level protection evaluation, penetration testing of internet application systems, security event monitoring and disposal, and application access review. The Bank introduced technical protection platforms such as open-source code management platforms, automated penetration testing, and centralized management of firewalls, to continuously improve the level of network security operation and protection. The Bank also established a sound data security management mechanism, promoted regular data security inspections and rectifications, strictly implemented data security control strategies, deepened data security and privacy protection, regulated data processing activities, and ensured the lawful, compliant, and orderly flow, use, and release of data. During the Reporting Period, no major information security incidents occurred in the Bank, achieving the goal of “zero accidents” in network and data security.

(IV) Implementing business continuity management

In 2023, the Bank actively implemented various work in business continuity management, optimized the high availability of important systems such as core business systems, credit management systems, and electronic commercial bill systems, and actively promoted the replacement of old facilities, migration of old storage, and replacement of old firewalls in the data center to reduce operational risks of aging equipment and improve the stability of our basic resource infrastructure. We continued to expand the scope of the one-click disaster recovery switching system and operation scheduling platform, complemented the monitoring strategy of the integrated monitoring platform, improved fault automatic discovery and isolation capabilities, and enhanced the level of automation and intelligent management of operations and maintenance. We completed 134 emergency switch drills for application systems, verified the availability of the disaster recovery environment and the feasibility of emergency plans, improved our familiarity and practical operation skills with emergency response procedures, and further enhanced our ability to ensure business continuity.

(V) Actively carrying out innovation of information technology

In 2023, the Bank actively promoted information technology innovation, formulated the “Plan for Information Technology Application and Innovation”, steadily advanced the construction of fintech projects such as digital renminbi and rare Chinese character platforms, and successfully completed all the goals and tasks for fintech work in 2023. We promoted the use of development platforms and other system development frameworks, unified development languages and processes, and achieved the reuse of technical components and the sharing of capabilities, gradually strengthening our ability for independent and controllable research and development. We completed the research on the key issues of “Research on the Digital Renminbi Payment System Based on Full-Stack Fintech”; while our Financial Sharing Management Platform project and Intelligent Online Banking Hall project respectively won the second and third prizes in the excellent application case selection of the first Greater Bay Area Financial Innovation Achievement Awards; our Distributed Financial Cloud project won the Best Cloud Computing Project in the Regional Financial Awards; our Business Data Self-Service Inquiry Service Platform won the “Forum Recommended Excellent Case” award at the 2nd Financial Data Governance Forum and many other technological innovations.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. PROTECTION OF THE RIGHTS OF FINANCIAL CONSUMERS

(I) Improving consumer protection systems

In 2023, in accordance with national laws, regulations, and regulatory requirements, the Bank continued to establish and improve the system of protecting the rights and interests of financial consumers. As of the end of the Reporting Period, the Bank has formulated 12 consumer rights protection systems, covering 11 work mechanisms such as consumer rights protection review, information disclosure, training and education, dispute resolution, and complaint handling.

(II) Optimizing complaint handling

The Bank attaches great importance to consumer complaints. In 2023, the Bank received a total of 1,842 consumer complaints (including guidance) from various channels throughout the year, with the complaint areas focusing on Guangdong Province and the primary business categories of the early repayment of personal housing loans and negotiated credit card repayment, which recorded a 100% timely settlement rate and a 94.73% satisfaction rate for the complaint handling. The Bank opened up channels for reflecting consumers' demands, conducted 222 leadership visits for consumer protection, set up two additional hotlines for credit card negotiation and personal housing loans complaint and negotiation, proactively listened to customers' opinions and suggestions, resolved customers' demands, and continued to improve consumer service satisfaction.

(III) Carrying out public education

In 2023, the Bank established a multi-level and three-dimensional publicity system, and held more than 4,000 events, publishing 221 articles through our own media platform. The Bank actively fulfills its corporate social responsibility and conducts theme publicity activities such as "3.15 Consumer Rights Protection", "Popularizing Financial Knowledge to Protect Your Wallet", "Popularizing Financial Knowledge Across the Country", "July 8 National Insurance Publicity Day", and "Financial Consumer Rights Protection Education and Publicity Month". The total number of people reached by our publicity activities exceeded 10 million throughout the year, effectively expanding the coverage of financial knowledge and improving consumer financial literacy.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. RISK MANAGEMENT

During the Reporting Period, the Bank adhered to the positioning of supporting agriculture and small businesses, and insisted on deeply integrating compliance management with risk management, business management, internal control management, and employee management. We actively responded to the complex and severe external situation, the trend of stricter regulation, and the transformation of business operations. We resolutely implemented the spirit of the Central Economic Work Conference and the Central Financial Work Conference and related policies, while increasing efforts to support enterprises and relieve difficulties, we also strengthened risk prevention and strictly adhered to the risk bottom line. Firstly, asset quality remained stable and the level of risk compensation increased. By strengthening target management and enhancing the effective linkage between risk classification and provision, and non-performing asset disposal, we maintained overall stability of our asset quality while orderly clearing risks. Secondly, risk control mechanisms were further improved to support stable and sound development. The Bank issued an annual risk preference and risk management work plan, combining points and areas to provide guidance for group risk management; the Bank completed the revision and issuance of 28 risk management systems such as the “Measures for the Classification and Grading Management of Financial Assets”, ensuring that new regulatory rules and requirements are implemented in a timely manner and risk policies are more adaptable to actual management. The Bank also revised the Measures for the Management of Credit Business Responsible Persons, issued a full-process list of responsibilities for credit business, and effectively implemented risk control responsibilities at all levels. The Bank improved the system for managing classified assets, thereby enhancing the effectiveness of risk asset disposal. The Bank also improved our assessment and incentive mechanisms to guide operating institutions in implementing risk management tasks. Thirdly, our system tools are gradually being optimized and digital transformation is steadily advancing. The Bank has expanded credit rating coverage, introduced external third-party data, and optimized risk warning rules for credit business, providing strong support for risk identification and early warning. In 2024, the Bank will focus on continuously optimizing risk management mechanisms and tools, enhancing the ability to identify and control risks in a timely manner, effectively improving risk assessment efficiency, and enhancing the support of risk quantification analysis for decision-making, in order to continuously improve the overall level of risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Risk Management Framework

The risk management framework of the Bank is composed of the Board of Directors, Board of Supervisors, senior management and related specialized committees authorized by them, the risk management department of the head office, other relevant functional departments, the audit department, and all branches and subsidiaries. The Board of Directors is ultimately responsible for the overall risk management and has set up a related party transactions and risk management committee to fulfill the relevant responsibilities authorized by the Board of Directors. The senior management is responsible for implementing the overall risk management, executing the resolutions of the Board of Directors, and has set up a risk management committee to collectively review risk management matters. The Board of supervisors is responsible for supervising the overall risk management, overseeing the performance of the Board of Directors and senior management in risk management, and urging rectification. The risk management department of the head office takes the lead in the daily management of overall risk, is responsible for leading the construction of the overall risk management system, and reports the overall risk and various important risk situations to the senior management in a timely manner. The functional departments of the head office are responsible for the direct management of credit risk, market risk, liquidity risk, and operational risk, etc. in their respective business areas and departments, according to their division of responsibilities. The audit department of the head office is responsible for internal audits of relevant performance. All branches are responsible for the daily management of overall risk at their respective levels. Under the overall risk preference and risk management policy framework of the Bank, each subsidiary establishes a comprehensive risk management system that is suitable for its business nature, scale, and complexity.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Credit Risk Management

Credit risk refers to the risk of losses of banking business arising from failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons. The goal of credit risk management in the Bank is to establish a credit risk management system that is in line with the overall strategy of the Bank, complies with regulatory capital standards, accurately identifies, and measures the risk costs and level of credit business, achieves a balance between risk and return, and improves the competitiveness and profitability of the Bank.

The Bank deeply implements the spirit of the Central Economic and Financial Work Conference, major decisions and deployments of the central and provincial Party committees, and regulatory requirements, and continuously strengthens credit risk control. Firstly, the Bank continued to improve the credit risk management system. Combining the current macroeconomic situation and industry policy orientation, the Bank has issued annual credit policies, optimized the asset business structure, improved the credit review and approval guidelines, optimized various business review report templates, sorted out compliance focus points, and enhanced risk identification capabilities. The Bank has revised the credit management measures, clarified the key issues to be reviewed in the lending process and the risk signal processing methods, continuously optimized the asset business classification management system, strengthened the risk investigation of credit business, improved the work mechanism, enhanced the comprehensive assessment and risk judgment of asset business, dynamically implemented classification management, and promoted the improvement of credit business risk warning and disposal capabilities. Secondly, the Bank has strengthened the control of large-amount exposure risks, continued to strictly implement the access mechanism for large credit business, strengthened risk identification and filtering, and continuously improved the risk control capabilities of concentration. Thirdly, the Bank has improved the responsibility mechanism for credit business, issued a full-process responsibility list for credit business, revised the system of chief responsibility for credit business, and further tightened the main responsibility. Fourthly, the Bank has increased efforts in disposing of non-performing assets. The Bank has formulated an assessment scheme and related institutional measures for the disposal of non-performing assets, promoted the disposal of non-performing assets on a case-by-case basis, strengthened the promotion and channel construction of non-performing assets, and improved the effectiveness of non-performing asset disposal. During the Reporting Period, the overall credit risk of the Bank was under control, and various asset quality indicators met the expected control targets.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank exists in the Bank's transaction books and bank books, mainly including interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through monitoring and other measures to the extent that the Bank can bear and maximize risk-adjusted returns.

The Bank proactively manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements of the Bank and with reference to the relevant provisions in the "New Capital Accord". The Bank has also formulated a management system for market risk through regulations on authorization, credit extension and risk limit, and measures such as monitoring and reporting. The Bank has continuously monitored the fluctuations of monetary policy and market prices and taken multiple measures to enhance our market risk management capabilities. Firstly, the Bank has formulated a basic investment policy, with a focus on interest rate bonds and high-rated credit bonds for major asset allocation. Secondly, the Bank has implemented a risk monitoring mechanism, established a comprehensive risk monitoring mechanism for both on-balance-sheet and off-balance-sheet credit bonds, implemented the principle of transparency, and dynamically grasped the holdings of underlying bonds. The Bank regularly conducted overall analysis from the dimensions of scale, limits, and profits and promptly alert and urge rectification for any abnormal deviations in indicators. Thirdly, the Bank regularly conducted market risk stress testing, analyzed the valuation changes of the Bank under different levels of stress scenarios, and the impact of valuation changes on the Bank, and made relevant recommendations to prevent market risk fluctuations. During the Reporting Period, our overall market risk was under control and no major market risk events occurred. All monthly important market risk indicators met the targets and the stress test results also showed that the Bank was able to cope with the impact of valuation changes on operating income, net profit, and capital adequacy ratio under stress scenarios.

(IV) Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business. The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfill payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and sound liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to effectively maintain the balance between effectiveness and security of funds.

MANAGEMENT DISCUSSION AND ANALYSIS

The Bank has continuously implemented liquidity risk policies and measures and strengthened the unified and centralized management of liquidity risk. Firstly, using the fund position system for daily position management, centralized dispatching, timely monitoring, and timely replenishment to ensure sufficient reserves; secondly, incorporating liquidity risk management requirements into business plans to ensure that the amount of high-quality liquidity assets remains within a safe range; thirdly, according to the approved liquidity risk preference by the Board of Directors, monthly liquidity risk limits are issued, and regular monitoring and assessment of the implementation of risk limits are conducted to ensure controllable liquidity risk; fourthly, monthly monitoring of liquidity indicators and making forward-looking predictions of liquidity indicators and gaps to timely identify risks and reasonably deploy funds; fifthly, conducting quarterly liquidity risk stress testing to timely evaluate the bank's ability to withstand liquidity risk pressure and risk mitigation capabilities, and increasing stress testing during important sensitive periods to strengthen monitoring and prevention of liquidity risk; sixthly, regularly conducting emergency drills for liquidity risk to improve the Bank's response efficiency in crisis situations. During the Reporting Period, the Bank had sufficient daily liquidity funds, and the overall liquidity risk was under control. All monthly liquidity risk indicators met the targets, and the stress test results also showed that the Bank had sufficient risk mitigation capabilities to respond to crisis scenarios under pressure.

(V) Operation Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, IT system and staff, and external events. The Bank follows the principles of comprehensiveness and prudence and implements operational risk management strategies that are in line with the Bank's asset size and business complexity under a comprehensive risk management system and overall risk preference.

The Bank has continuously improved our operational risk management system and closely guarded against major operational risk events, striving to achieve comprehensive identification and effective control of operational risk. Firstly, the Bank continuously monitored and identified operational risk, continuously optimized the monitoring system for key risk indicators, regularly collected data on indicators and risk losses, and strengthened the foundation for risk measurement. Secondly, the Bank comprehensively evaluated and improved risk control measures. Through post-evaluation of systems, the Bank identified and reviewed key risk factors in various business processes and updated and optimized risk control measures to enhance management capabilities. Thirdly, the Bank conducted multiple risk investigations, organized special investigations on counter business, cash management, and employee behavior to strengthen risk prevention in key areas. Fourthly, the Bank improved business continuity management. The Bank revised business continuity plans, special plans for key business interruptions, and formulated exercise plans, conducted orderly bank-wide business continuity exercises, thoroughly analyzed the impact of business continuity on all business areas, reviewed important business areas and their reliance on key resources, and strengthened the foundation for business continuity management. Fifthly, the Bank strengthened outsourcing risk management. The Bank continuously monitored the management of outsourced business, implemented special evaluations on outsourcing of information technology risks, and strictly guarded against risks in key outsourcing areas.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Information Technology Risk Management

The information technology risk refers to operational, legal and reputational risks generated during the process of applying information technology by the Bank due to natural factors, human factors, technical loopholes and management flaws.

The Bank continuously improved our information technology risk management system and enhanced the effectiveness of information technology risk management. No major information technology risk events occurred. Firstly, the Bank optimized the system. The Bank revised our information technology risk management system to enhance its comprehensiveness, effectiveness, and operability. Secondly, the Bank improved our information technology security and operations level. The Bank promoted the implementation of projects such as one-click disaster recovery switching systems, integrated monitoring systems, and unified operation dispatching systems, continuously optimized our emergency operation mode, and ensured 24/7 on-site monitoring of important information systems to effectively ensure the stable operation of the Bank's production. Thirdly, the Bank strengthened risk assessment and monitoring. The Bank hired external consulting firms to conduct risk assessments on information technology outsourcing, organized regulatory issue rectification "look-backs," as well as business continuity and information technology risk assessments to promote improvement and enhance the effectiveness of information technology risk management. Fourthly, the Bank updated information technology risk monitoring indicators, regularly conducted information technology risk monitoring and analysis, and continuously improved the Bank's information technology risk management system. Fifthly, the Bank effectively conducted emergency drills for key businesses and real takeover scenarios of important information systems to enhance each unit's emergency response capabilities for operational interruptions and sudden events.

(VII) Compliance Risk Management

Compliance risk refers to the risk of legal sanction or regulatory penalty, major property loss or reputation loss as a result of the Bank's non-compliance with the laws, rules and regulations, and relevant industry standards.

During the Reporting Period, the Bank has conscientiously implemented the "14th Five-Year Plan" development strategy and carried out the "Compliance Building Year" activities with the theme of "promoting compliance, optimizing systems, strengthening internal control, and improving services" throughout the Bank. With the three main areas of building a strong compliance culture, optimizing the system, and strengthening internal control management, the Bank has joined forces with the company, the Sannong, retail, inclusive finance, and the financial market business units to improve our product system, reshape business processes, comprehensively market at branch locations, and enhance technological empowerment, among other areas, to strive for high-quality financial services. The Bank has been making every effort to improve our comprehensive customer management, professional risk control, efficient organizational management, and agile technological innovation capabilities, and has achieved new breakthroughs in compliance and internal control work.

MANAGEMENT DISCUSSION AND ANALYSIS

(VIII) Legal Risk Management

Legal risk refers to the risk of incurring legal sanctions or other negative consequences that arises out of or in connection with the failure of the Bank to comply with requirements of relevant laws and regulations during the Bank's operation, the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank, legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations and other relevant rules; and other relevant legal events that occur internally and externally.

During the Reporting Period, the Bank continued to strengthen legal risk management, conducted legal reviews of business system formulation and revision, and continuously improved our legal risk prevention and control level. The Bank implemented new laws and regulations such as the Civil Code, regularly conducted legal special training, and continuously strengthened the Bank employees' awareness of legal risk prevention and control, and constantly improved and optimized agreement texts. The Bank conducted special inspections on contract signing to prevent legal risks in contract signing. The Bank revised the management measures for lawsuits to strengthen the management of external lawyers and effectively enhance litigation risk prevention and control.

(IX) Money Laundering Risk

Money laundering risk refers to money laundering, terrorist financing and proliferation financing risk. The occurrence of money laundering risk incidents or cases may bring serious reputational risk and legal risk to the Bank, and lead to customer loss, business loss and financial loss.

The Bank fully implemented regulatory requirements, continuously strengthened proactive management, promoted the effective integration of anti-money laundering work with business operations and management, built a new development pattern for anti-money laundering work, and further enhanced the effectiveness of anti-money laundering work to create a good environment for the Bank's stable development. During the reporting period, the Bank formulated systems for freezing assets related to terrorist financing and personnel management, conducted anti-money laundering reviews of business system formulation and revisions, and continuously standardized the anti-money laundering operation process. The Bank continuously optimized the risk assessment mechanism, improved the business money laundering risk assessment indicators, optimized the anti-money laundering system functions and data governance, and enhanced anti-money laundering technology support. The Bank continued to conduct institutional risk assessments and special inspections, implemented anti-money laundering problem investigations and corrections, organized special training and publicity, built a culture of compliance with anti-money laundering, strengthened team building, enhanced anti-money laundering information security management, and conducted special assessments to effectively fulfill our legal obligations for anti-money laundering.

MANAGEMENT DISCUSSION AND ANALYSIS

(X) Reputation Risk Management

Reputation risk refers to the behavior of the Bank, the behavior of practitioners or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

During the Reporting Period, the Bank established a sound reputation risk management system, formed a relatively complete mechanism for identifying and real-time monitoring potential reputation risks, timely reporting, and proactive response, to ensure that the Bank's public opinion situation is under control. Firstly, the Bank prioritized proactive management of public opinion by strictly implementing 24/7 real-time monitoring and reporting, conducting regular reputation risk investigations, and taking comprehensive and multi-level preventive measures to effectively respond to and handle reputation risks. Secondly, the Bank increased positive publicity efforts by utilizing both internal and external media to actively report on the Bank's achievements in deepening reform, supporting agriculture and small businesses, serving the real economy, implementing the "Hundred Thousand Million Project," and promoting high-quality development, to create a favorable public opinion environment. Thirdly, the Bank regularly reviewed and improved our reputation risk management work, comprehensively improved the quality and efficiency of reputation risk management, and effectively maintained the Bank's good market image.

(XI) Country Risk Management

Country risk refers to the risk incurred to the Bank due to economic, political, social changes and events in a country or a region, arising from the inability or refusal by the borrower or debtor to repay banking financial institution debt, losses suffered by a banking financial institution or its commercial presence in such country or region and other losses.

The Bank has always adhered to the "risk-oriented" philosophy, strictly implemented regulatory requirements, and combined with business development needs. Faced with a more complex and changing external situation, the Bank has comprehensively deepened the institutionalization of compliance risk management, continuously strengthened country risk management, and promoted high-quality development of our business.

(XII) Large Amount Risk Exposure Management

The Bank strictly implemented large amount risk exposure management in accordance with regulatory requirements, conscientiously implemented unified credit management for clients and strengthened pregranting credit limit management, collected large amount risk exposure data to fill in the Statistical Table of Large Amount Risk Exposure on a monthly basis in accordance with the requirements of local supervisory departments on the submitting and filling of off-site regulatory statements of the Banking industry, to reflect the concentration of its risk exposure to customers, and continued to monitor and manage large amount risk exposure, ensuring that indicators relating to large risk exposures are in line with regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. AUDIT

The Bank has established an independent and vertical audit management system. The Board of Directors bears the ultimate responsibility for the independence and effectiveness of the internal audit, and considers and approves the internal audit constitution, the medium- and long-term audit work plan and the annual audit plan, and provides necessary safeguards for the independent and objective conduct of the internal audit. The head office of the Bank has set up an audit department, which carries out its work under the leadership of the Party committee and the Board of Directors of the Bank, and accepts the guidance and supervision by the Board of Supervisors, and undertakes the specific duties of internal audit.

During the Reporting Period, the Bank thoroughly implemented the audit requirements of the government authorities, fully implemented the work deployment of the Party committee and the Board of Directors of the Bank, raised its political stance, promoted the full coverage of audit supervision in all respects, continuously strengthened the construction of the audit system, technology and team, and improved the long-term mechanism for audit rectification and improvement, and the centralised, unified, comprehensively-covering, authoritative and efficient audit supervision system was further deepened.

During the Reporting Period, the Bank focused on the central work of the Bank, highlighted the key points of audit supervision, and carried out various types of audit projects in the areas of risk management and control, internal control and compliance, management enhancement, and implementation of responsibilities in an issue-oriented manner; strengthened audit rectification and effectively enhanced audit rectification tracking and supervision, and promoted the integration of the “first half of the article” (i.e. problems spotted out) and the “second half of the article” (i.e. rectification) of audit, to further promote the improvement of the Bank’s internal control and management level.

MANAGEMENT DISCUSSION AND ANALYSIS

IX. INTERNAL CONTROL MANAGEMENT

The Bank has established an internal control governance and organisation structure with reasonable division of labor, clear responsibilities and clear reporting relationships. Among them, the Board of Directors is responsible for the establishment and effective implementation of the internal control system. The Audit Committee and Related Party Transactions and Risk Management Committee under the Board of Directors are responsible for assisting the Board of Directors in fulfilling its supervision and management responsibilities. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management to improve the internal control system and perform their internal control duties. The senior management is responsible for implementing the decisions of the Board of Directors and guaranteeing the effective fulfillment of all responsibilities of internal control.

The Bank attaches great importance to the construction of internal control management and has formulated the Internal Control Guidelines of Guangzhou Rural Commercial Bank (《廣州農村商業銀行內部控制指引》) in accordance with the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and other laws and regulations, and in conjunction with the actual situation of the Bank, which regulate internal control responsibilities, internal control measures, internal control guarantees, internal control evaluation, internal control supervision, information and communication, and internal control of subsidiaries.

X. PRINCIPAL SUBSIDIARIES

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for performing social responsibility by the Bank, improving the level of financial services for Sannong and small and micro businesses, assisting rural revitalization and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for rural banks and promoted their steady and high-quality development. As of the end of Reporting Period, the Bank had established 25 Zhujiang County Banks in 9 provinces and cities of China.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, and mainly engaged in financial leasing related business. In December 2021, the Company increased its registered capital from RMB1 billion to RMB1.5 billion through transferring the undistributed profit to increase registered capital by RMB500 million.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in December 2017, with registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in June 2020, with a registered capital of RMB1,370 million.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARES

Unit: share, %

	31 December 2022		Change during the Reporting Period	31 December 2023	
	Quantity	Proportion		Quantity	Proportion
Total share capital	11,451,268,539	100	2,958,520,788	14,409,789,327	100
Domestic Shares	9,325,933,539	81.44	2,408,930,788	11,734,864,327	81.44
Domestic Shares held by legal persons	6,849,947,888	59.82	2,429,581,708	9,279,529,596	64.40
Domestic Shares held by natural persons	2,475,985,651	21.62	-20,650,920	2,455,334,731	17.04
H Shares	2,125,335,000	18.56	549,590,000	2,674,925,000	18.56

Notes:

- (1) As of the end of the Reporting Period, the total number of shareholders of the Bank's Domestic Shares was 29,123, and all Domestic Shares of the Bank were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 84 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of some shareholders).
- (2) As of the end of the Reporting Period, 89,646,448 Domestic Shares of the Bank were involved in judicial freezing, representing 0.62% of the total share capital of the Bank, and 586,556,099 Domestic Shares of the Bank were involved in pledge, representing 4.07% of the total share capital of the Bank.

II. ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES AND DEBT SECURITIES

In order to further optimise the shareholding structure, enhance the capital strength of the Bank, effectively replenish the core Tier 1 capital of the Bank, continue to meet the regulatory requirements, effectively strengthen the risk resistance and boost market confidence, the Bank allotted and issued a total of 549,590,000 new H Shares to not less than six independent placees (all of whom are professional institutions and other investors and who together with their respective ultimate beneficial owners are third parties independent of and not connected with the Bank and connected persons of the Bank) at a par value of RMB1.00 per share at a placing price of HK\$2.37 per placing share (on the date of the Placing Agreement, the Bank's quoted market price on the Hong Kong Stock Exchange was HK\$2.07 per H Share) on 29 December 2023. On the same date, the Bank issued a total of 2,408,930,788 Domestic Shares to not less than six subscribers (each of the subscribers for the Domestic Shares and their respective ultimate beneficial owners is independent of and a third party not connected with the Bank and its connected persons) at a par value of RMB1.00 per share at a subscription price of RMB2.18 per share, and the net funds raised in this issuance, after deducting related issuance costs, amounted to approximately RMB6,433 million, which was fully used to supplement the Bank's core Tier 1 capital.

During the Reporting Period, the Bank redeemed RMB10 billion in the first tranche of tier 2 capital bonds of 2018 in advance on 23 March 2023; completed the issuance and listing of RMB15 billion in tier 2 capital bonds on 3 April 2023 to further optimize the capital structure and enhance the sustainable development capability of the Bank. After deducting the issuance expenses, all of the proceeds have been used to supplement the tier 2 capital of the Bank.

During the Reporting Period, the Bank did not issue any convertible bonds.

Save as disclosed above, during the Reporting Period, the Bank and its subsidiaries did not purchase, sell and redeem any securities of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

III. INCREASE OR DECREASE OF REGISTERED CAPITAL, DIVISION AND MERGER

The Bank completed the issuance of 550 million H Shares and 2,409 million Domestic Shares on 29 December 2023, respectively, which increased the total number of the Bank's shares to 14,409,789,327. The Bank will change its registered capital in accordance with relevant laws, regulations, regulatory provisions and the Articles of Association. As of the Latest Practicable Date, relevant procedures are still being processed. During the Reporting Period, the Bank did not have any division or merger matter.

IV. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders and Their Shareholdings

As of the end of the Reporting Period, the Bank had a total share capital of 14,410 million shares, comprising 11,735 million Domestic Shares and 2,675 million H Shares. There were 724 legal person shareholders in possession of 9,280 million Domestic Shares, accounting for 64.40% of the total share capital. 28,399 were natural person shareholders in possession of 2,455 million Domestic Shares, accounting for 17.04% of the total share capital.

(II) Top Ten Shareholders

As of the end of the Reporting Period, the top ten shareholders of the Bank together held 51.78% of the Bank's total share capital, with no single holder of Domestic Shares having control of more than 5% of the total share capital except Guangzhou Finance Holdings Group Co., Ltd. and Guangzhou Metro Group Co., Ltd. All of these top three shareholders of Domestic Shares are state-owned enterprises. Among the top ten shareholders, the largest shareholder of Domestic Shares was Guangzhou Finance Holdings Group Co., Ltd., which held 8.29% of the total share capital. The second largest shareholder of Domestic Shares was Guangzhou Metro Group Co., Ltd., which held 5.02% of the total share capital, and the third largest was Guangzhou City Renewal Group Co., Ltd., which held 4.83% of the total share capital. The shareholding structure of the Bank is relatively dispersed.

The top ten shareholders of the Bank are as follows:

No.	Name	Class of shareholder	Nature of shareholder	Number of shares (Share)	Shareholding proportion (%) ⁽²⁾
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	2,674,577,900	18.56
2	Guangzhou Finance Holdings Group Co., Ltd.	Domestic Shares	State-owned legal person	1,194,271,140	8.29
3	Guangzhou Metro Group Co., Ltd.	Domestic Shares	State-owned legal person	722,950,000	5.02
4	Guangzhou City Renewal Group Co., Ltd.	Domestic Shares	State-owned legal person	696,288,999	4.83
5	Guangzhou Digital Technology Group Co., Ltd.	Domestic Shares	State-owned legal person	606,266,479	4.21

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name	Class of shareholder	Nature of shareholder	Number of shares (Share)	Shareholding proportion (%) ⁽²⁾
6	Guangzhou Industrial Investment Holdings Group Co., Ltd.	Domestic Shares	State-owned legal person	351,944,322	2.44
7	Guangzhou Vanlead Group Co., Ltd.	Domestic Shares	State-owned legal person	319,880,672	2.22
8	Guangzhou Lingnan Business Travel Investment Group Co., Ltd.	Domestic Shares	State-owned legal person	303,442,825	2.11
9	Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	Domestic Shares	State-owned legal person	295,538,068	2.05
10	Guangzhou Development Zone Industrial Service Co., Ltd. (廣州開發區產業服務有限公司)	Domestic Shares	State-owned legal person	295,538,068	2.05
Total				7,460,698,473	51.78

Notes:

- (1) HKSCC Nominees Limited, as a nominee, held 2,674,577,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited promotes registration and custodian business for clients.
- (2) Calculated on the basis of the total share capital of the Bank of 14,409,789,327 shares.

(III) Internal Staff Members' Shareholdings

As of the end of the Reporting Period, the Bank had a total of 5,688 internal staff member shareholders, holding 371 million shares, which accounted for 2.58% of the total share capital of the Bank.

(IV) Explanation on the absence of controlling shareholders and de facto controllers of the Bank

As of the end of the Reporting Period, the Bank did not have any controlling shareholders or de facto controllers.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(V) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Hong Kong Laws and Regulations

Based on the knowledge of the directors or chief executives of the Bank, as at 31 December 2023, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed to have interests or short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO with details as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Finance Holdings Group Co., Ltd. ⁽¹⁾	Beneficial owner	Domestic Shares	Long	1,194,271,140	8.29%	10.18%
Guangzhou Guangyong State-owned Assets Management Co., Ltd. ⁽¹⁾	Beneficial owner	Domestic Shares	Long	18,304,522	0.13%	0.16%
Guangzhou Finance Holdings Group Co., Ltd. ⁽¹⁾	Interest of a controlled corporation	Domestic Shares	Long	1,212,575,662	8.41%	10.33%
Guangzhou Metro Group Co., Ltd.	Beneficial owner	Domestic Shares	Long	722,950,000	5.02%	6.16%
Guangzhou City Renewal Group Co., Ltd. ⁽²⁾	Beneficial owner	Domestic Shares	Long	696,288,999	4.83%	5.93%
Guangzhou Pearl River Enterprises Group Co., Ltd. ⁽²⁾	Interest of a controlled corporation	Domestic Shares	Long	696,288,999	4.83%	5.93%
Guangzhou Digital Technology Group Co., Ltd.	Beneficial owner	Domestic Shares	Long	606,266,479	4.21%	5.17%
Guangzhou Industrial Investment Holding Group Co., Ltd. ⁽³⁾	Beneficial owner	Domestic Shares	Long	351,944,322	2.44%	3.00%
Guangzhou Vanlead Group Co., Ltd. ⁽³⁾	Beneficial owner	Domestic Shares	Long	319,880,672	2.22%	2.73%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Gongkong Capital Management Co., Ltd. ⁽³⁾	Beneficial owner	Domestic Shares	Long	45,312,844	0.31%	0.39%
Guangzhou Industrial Investment Holding Group Co., Ltd. ⁽³⁾	Interest of a controlled corporation	Domestic Shares	Long	717,137,838	4.98%	6.11%
Lead Straight Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	195,229,000	1.35%	7.30%
Kwong Pak International Trading (Hong Kong) Limited (廣百國際貿易(香港)有限公司) ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.35%	7.30%
Guangzhou Lingnan Business Travel Investment Group Co., Ltd. ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.35%	7.30%
Guangzhou City Construction Investment Development Company Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	551,900,000	3.83%	20.63%
Guangzhou City Construction Investment Group Co., Ltd. ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	561,249,000	3.89%	20.98%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	2.05%	11.04%
Guangzhou Honghui Investment Co., Ltd. (廣州市鴻匯投資有限公司) ⁽⁶⁾	Beneficial owner	H Shares	Long	200,991,000	1.39%	7.51%
Zeng Weipeng ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	0.80%	4.28%
Manureen Investment Limited (美林投資有限公司) ⁽⁷⁾	Beneficial owner	H Shares	Long	221,424,797	1.54%	8.28%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Lin Xiaohui ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	1.54%	8.28%
Su Jiaohua ⁽⁷⁾	Interest of the spouse	H Shares	Long	221,424,797	1.54%	8.28%
Harvest Fund Management Co., Ltd. ⁽⁸⁾	Beneficial owner	H Shares	Long	187,000,000	1.30%	6.99%
China Credit Trust Co., Ltd. ⁽⁸⁾	Interest of a controlled corporation	H Shares	Long	187,000,000	1.30%	6.99%

- (1) Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司) is wholly owned by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司). Therefore, Guangzhou Finance Holdings Group Co., Ltd. together with the shares directly held by itself are deemed to be interested in the 1,212,575,662 Domestic Shares by virtue of the SFO.
- (2) Guangzhou City Renewal Group Co., Ltd. (廣州城市更新集團有限公司) is wholly owned by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司). Therefore, Guangzhou Pearl River Enterprises Group Co., Ltd. is deemed to be interested in the 696,288,999 Domestic Shares by virtue of the SFO.
- (3) Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司) is wholly owned by Guangzhou Industrial Investment Holding Group Co., Ltd. (廣州工業投資控股集團有限公司) and Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司) is owned as to 84.75% by Guangzhou Industrial Investment Holding Group Co., Ltd. Therefore, Guangzhou Industrial Investment Holding Group Co., Ltd. together with the shares directly held by itself are deemed to be interested in the 717,137,838 Domestic Shares by virtue of the SFO.
- (4) Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司) and Kwong Pak International Trading (Hong Kong) Limited (廣百國際貿易(香港)有限公司) are wholly owned by Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司), and Lead Straight Limited (威卓有限公司) is wholly owned by Kwong Pak International Trading (Hong Kong) Limited. Therefore, Guangzhou Lingnan Business Travel Investment Group Co., Ltd. together with the shares held by itself are deemed to be interested in the 195,229,000 H Shares by virtue of the SFO.
- (5) The 561,249,000 H Shares comprised 551,900,000 H Shares directly held by Guangzhou City Construction Investment Development Company Limited (廣州市建設投資發展有限公司) and 9,349,000 H Shares directly held by Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership) (廣州新華城市發展產業投資企業(有限合夥)). Therefore, Guangzhou City Construction Investment Group Co., Ltd. (廣州城市建設投資集團有限公司) is deemed to be interested in the 561,249,000 H Shares by virtue of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (6) Guangzhou Hong He Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. (廣州市鴻匯投資有限公司) is owned as to 63.33% by Guangzhou Hong He Investment Co., Ltd. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 H Shares by virtue of the SFO.
- (7) Manureen Investment Limited (美林投資有限公司) is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 H Shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 H Shares by virtue of the SFO.
- (8) Harvest Fund Management Co., Ltd. is owned as to 40% by China Credit Trust Co., Ltd. Therefore, China Credit Trust Co., Ltd. is deemed to be interested in the 187,000,000 H Shares by virtue of the SFO.

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

(VI) Major Shareholders under “Interim Measures for Equity Management of Commercial Banks” (《商業銀行股權管理暫行辦法》)

Pursuant to the relevant requirements concerning major shareholders under “Interim Measures for Equity Management of Commercial Banks”, the shareholders listed in the table below were the major shareholders of the Bank as at the end of the Reporting Period:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
1	Guangzhou Finance Holdings Group Co., Ltd.	1,194,271,140	Delegated director Mr. Liu Wensheng	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Finance Holdings Group Co., Ltd.	15 related natural persons, 80 related legal persons
2	Guangzhou Metro Group Co., Ltd.	722,950,000	Delegated director Mr. Wang Xiaobin	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Metro Group Co., Ltd.	23 related natural persons, 105 related legal persons
3	Guangzhou Gongkong Capital Management Co., Ltd.	45,312,844	Delegated director Mr. Zuo Liang	No	Guangzhou Industrial Investment Holding Group Co., Ltd.	Guangzhou Municipal People's Government	-	Guangzhou Gongkong Capital Management Co., Ltd.	23 related natural persons, 486 related legal persons
4	Guangzhou City Renewal Group Co., Ltd.	696,288,999	Delegated director Mr. Da Hengcheng	No	Guangzhou Pearl River Enterprises Group Co., Ltd.	Guangzhou Municipal People's Government	-	Guangzhou City Renewal Group Co., Ltd.	22 related natural persons, 334 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
5	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	160,020,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Mr. Zhu Yihang (朱一航)	-	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd.	30 related natural persons, 1,247 related legal persons
6	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	10,000,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Zhicheng Weiye Investment Limited (廣東至誠偉業投資有限公司)	Mr. Xue Dingxi (薛定喜)	-	Guangdong Yingxin Information Investment Co., Ltd.	30 related natural persons, 1,247 related legal persons
7	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	125,010,000	Delegated director Mr. Zhang Junzhou	No	Linzhi Depeng Investment Co., Ltd. (林芝德騰投資有限公司)	Mr. Zhu Weihang (朱偉航)	-	Fengchi Investment Co., Ltd.	30 related natural persons, 1,247 related legal persons
8	Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司)	250,000,000	Recognised by regulatory authorities	No	Shanghai Hechuang Real Estate Co., Ltd. (上海合創置業有限公司)	Mr. Chu Mang Yee (朱孟依)	-	Shanghai Dazhan Investment Management Co., Ltd.	30 related natural persons, 1,247 related legal persons
9	Zhongxian International Holdings Co., Ltd. (中先國際控股有限公司)	100,000,000	Recognised by regulatory authorities	No	Shanghai Hechuang Real Estate Co., Ltd.	Mr. Chu Mang Yee	-	Zhongxian International Holdings Co., Ltd.	30 related natural persons, 1,247 related legal persons
10	Aeon Life Insurance Company Limited	65,000,000 ⁽²⁾	Delegated director Mr. Meng Sen	No	-	-	-	Aeon Life Insurance Company Limited	106 related natural persons, 62 related legal persons
11	Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司)	100,010,000	Delegated director Mr. Feng Yaoliang	No	Mr. Feng Yaoliang	Mr. Feng Yaoliang	-	Guangzhou Huaxin Group Co., Ltd.	6 related natural persons, 135 related legal persons
12	Guangdong Dongsheng Industrial Co., Ltd.	62,500,000	Delegated director Mr. Lai Zhiguang	No	Guangdong Dongsheng Holding Group Co., Ltd.	Mr. Lai Zhiguang (賴志光)	-	Guangdong Dongsheng Industrial Co., Ltd.	4 related natural persons, 49 related legal persons
13	Guangzhou Digital Technology Group Co., Ltd.	606,266,479	Delegated supervisor Mr. Chen Jianliang	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Radio Group Co., Ltd.	16 related natural persons, 250 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
14	Longdong Economic Development Company, Tianhe District, Guangzhou City	121,010,000	Delegated supervisor Mr. Liang Bingtian	No	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou (廣州市天河區龍洞街龍洞股份合作經濟聯社)	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou	-	Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司)	5 related natural persons, 2 related legal persons
15	Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司)	104,000,000	Delegated supervisor Mr. Feng Jintang	No	Mr. Zhong Liuhan (鐘流漢)	Mr. Zhong Liuhan	-	Foshan Dongjian Group Co., Ltd.	9 related natural persons, 27 related legal persons

Notes:

(1) For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank will regularly maintain and update the list of related parties to continuously lift the level of management of related party transactions. The report does not provide the list of related parties of major shareholders.

(2) Only for Domestic Shares.

(VII) Undertakings by Shareholders Holding 5% or More of Share Capital of the Bank

As at the end of the Reporting Period, the shareholders holding more than 5% of the Bank's total issued shares were Guangzhou Finance Holdings Group Co., Ltd. and Guangzhou Metro Group Co., Ltd., which held 1,194,271,140 and 722,950,000 shares of the Bank respectively. Both shareholders have issued the "Substantial Shareholders Undertaking Letters" to the Bank and undertaken to perform their duties as substantial shareholders in accordance with regulatory requirements.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VIII) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon the approvals by Guangdong Bureau of the former China Banking and Insurance Regulatory Commission (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and the China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,430 million on 20 June 2019. The Offshore Preference Shares (abbreviated as GRCB 19USD PEF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the offshore preference shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the offshore preference shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional tier 1 capital of the Bank, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the offshore preference shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As at the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 31 December 2023):

Name of shareholder	Nature of shareholder	Class of shares	Increase or decrease during the Reporting Period (%)	Shareholding ratio (%)	Number of shares held (share)	Number of shares subject to selling restrictions (share)	Number of shares pledged or frozen (share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	0	100	71,500,000	-	Unknown

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the offshore preference shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the offshore preference shares of USD93,744,444.44 was distributed by the Bank on 20 June 2023, of which USD84,370,000 was paid to the holders of offshore preference shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

4. Other information on the Offshore Preference Shares

During the Reporting Period, no offshore preference shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the offshore preference shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the People’s Republic of China, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing offshore preference shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

V. DIVIDENDS

The Board of Directors has proposed the payment of a cash dividend of RMB0.40 (tax inclusive) per 10 shares for 2023 to all shareholders in an aggregate amount of approximately RMB576 million (tax inclusive). The payment of such dividend is subject to consideration at the 2023 Annual General Meeting, and, if approved, such dividend is expected to be paid on or before 26 July 2024 to our domestic shareholders and H shareholders. Such dividend will be denominated in Renminbi, and paid to the domestic shareholders and H shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend to be paid in Hong Kong dollars shall be the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2023 Annual General Meeting (inclusive) as announced by the PBOC. During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to waive any dividend arrangements. For details of the distribution of 2023 annual dividend of the Bank, please see the circular of 2023 Annual General Meeting of the Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. THE BASIC INFORMATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information of the directors of the third session of the Board of Directors, supervisors of the third session of the Board of Supervisors and senior management of the Bank is as follows:

Name	Position	Gender	Year of Birth	Duration of Appointment ¹
Cai Jian	Secretary of the Party Committee, Chairman, executive director	Male	1973	2021.03–now
Liu Wensheng	Non-executive director	Male	1968	2023.09–now
Wang Xiaobin	Non-executive director	Male	1977	2023.10–now
Zuo Liang	Non-executive director	Male	1979	2021.03–now
Da Hengcheng	Non-executive director	Male	1973	2022.09–now
Zhang Junzhou	Non-executive director	Male	1962	2021.03–now
Meng Sen	Non-executive director	Male	1968	2023.09–now
Feng Yaoliang	Non-executive director	Male	1961	2021.03–now
Lai Zhiguang	Non-executive director	Male	1985	2021.03–now
Liao Wenyi	Independent non-executive director	Male	1962	2021.07–now
Du Jinmin	Independent non-executive director	Male	1963	2021.03–now
Zhang Weiguo	Independent non-executive director	Male	1963	2022.09–now
Zhang Hua	Independent non-executive director	Male	1965	2021.03–now
Ma Hok Ming	Independent non-executive director	Male	1975	2021.07–now
Wang Xigui	Chairman of the Board of Supervisors, Employee Supervisor	Female	1966	2021.02–now
He Heng	Employee Supervisor	Female	1970	2021.02–now
Lai Jiaxiong	Employee Supervisor	Male	1975	2021.02–now
Han Zhenping	External Supervisor	Male	1973	2021.02–now
Shi Shuiping	External Supervisor	Male	1975	2021.02–now
Huang Tianshun	External Supervisor	Male	1968	2022.08–now
Chen Jianliang	Shareholders' Supervisor	Male	1967	2022.06–now
Liang Bingtian	Shareholders' Supervisor	Male	1973	2021.02–now
Feng Jintang	Shareholders' Supervisor	Male	1961	2021.02–now
Deng Xiaoyun	Deputy secretary of the Party Committee and President	Female	1976	2023.11–now
Zhao Wei	Leader of Stationed Discipline Inspection Group	Male	1964	2019.10–now
Lin Ripeng	Vice President	Male	1970	2020.06–now
Li Yaguang	Vice President	Male	1967	2021.09–now
Tan Bo	Assistant to the President	Male	1974	2020.06–now
Mao Libing	Assistant to the President	Female	1970	2023.01–now
Gu Bo	Assistant to the President	Male	1981	2023.01–now
Wu Wenli	Secretary to the Board of Directors	Female	1978	2022.10–now
Yang Xuan	Business Director, General Manager of Financial Interbank Department (concurrent)	Female	1976	2015.08–now

Note: The commencement date of the appointment of the directors, supervisors and senior management is the approval date by the general meeting or employee representative assembly of the Bank (as the case may be) or the approval from the regulatory authority.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

On 20 June 2023, after consideration and approval by the 2022 annual general meeting of the Bank, Mr. Liu Wensheng, Mr. Wang Xiaobin and Mr. Meng Sen were appointed as non-executive directors of the third session of the Board of Directors of the Bank. On 15 September 2023, the director qualifications of Mr. Liu Wensheng and Mr. Meng Sen were approved by the regulatory authority, and their terms of office commenced from 15 September 2023; and on 30 October 2023, the director qualification of Mr. Wang Xiaobin was approved by the regulatory authority, and the term of office commenced from 30 October 2023.

On 2 February 2023, Mr. Zhuang Yuemin resigned as a non-executive director of the third session of the Board of Directors of the Bank, a member of the Strategy and Investment Committee (Sannong Committee), a member of the Related Party Transactions and Risk Management Committee, and a member of the Audit Committee because he needed to devote more time to other personal commitments; on 20 February 2023, Mr. Yi Xuefei resigned as an executive director and a vice chairman of the third session of the Board of Directors of the Bank, a member of the Strategy and Investment Committee (Sannong Committee), a member and the chairman of the Consumer Rights Protection Committee and the President of the Bank due to the exceeding of his term of office as the President under the regulatory requirements; on 13 July 2023, upon reaching retirement age, Ms. Feng Kaiyun, resigned as a non-executive director of the third session of the Board of Directors of the Bank, a member of the Strategy and Investment Committee (Sannong Committee), and a member of the Audit Committee; and on 15 March 2024, Mr. Tan Jinsong resigned as an independent non-executive director of the third session of the Board of Directors of the Bank, a member of the Strategy and Investment Committee (Sannong Committee), a member of the Related Party Transactions and Risk Management Committee, and the chairman and a member of the Audit Committee because he needed to devote more energy to other work affairs.

During the Reporting Period, there was no change in the supervisors of the Bank.

On 10 November 2023, the Board of Directors of the Bank appointed Ms. Deng Xiaoyun as the President of the Bank, and her qualification was approved by the regulatory authority on 23 November 2023; on 30 August 2022, the Board of Directors of the Bank appointed each of Ms. Mao Libing and Mr. Gu Bo as the assistant to the President of the Bank, and their qualifications were approved by the regulatory authority on 4 January 2023 and 18 January 2023, respectively. On 20 February 2023, Mr. Yi Xuefei resigned as a deputy secretary of the Party Committee, a vice chairman and a president of the Bank. On 29 December 2023, Mr. Guo Huahui resigned from his positions as a member of the Party Committee and a vice president of the Bank. On 11 March 2024, Ms. Chen Linjun resigned from her position as business director of the Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

III. BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

Mr. Cai Jian (蔡建), male, born in April 1973, a member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree, major in management, and an MBA, and is a senior economist. Mr. Cai currently serves as the Secretary of the Party Committee and President at Guangzhou Rural Commercial Bank. Mr. Cai has served as a member and deputy section chief of Guangzhou Huangpu Sub-branch of Construction Bank of China (中國建設銀行廣州黃埔支行), deputy section chief and section chief of Guangzhou Economic Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州經濟開發區支), assistant to the president of Guangzhou Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州開發區支行), vice president and member of the Party Committee of Guangzhou Haizhu Sub-branch of China Construction Bank (中國建設銀行廣州市海珠支行), department deputy general manager of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), senior deputy manager of the Strategic Assistance Project Office of Construction Bank of China (中國建設銀行戰略協助項目辦公室), deputy director of Financial Work Office of Guangzhou Municipal Government (廣州市政府金融工作辦公室副主任), deputy director and member of the Party Leadership Group of the Financial Work Office of Guangzhou Municipal Government, the head of the discipline inspection team dispatched by the Guangzhou Municipal Commission for Discipline Inspection in the Financial Work Office of the Municipal Government, deputy director, head of the discipline inspection team and member of the Party Leadership Group of the Financial Work Office of the Municipal Government, the head of the discipline inspection team dispatched by Guangzhou Municipal Commission for Discipline Inspection in the Municipal Financial Work Bureau, Secretary of the Disciplinary Committee of the Bank of Guangzhou (廣州銀行), member of the Standing Committee of Huadu District Committee of Guangzhou, deputy secretary of the Party Leadership Group of Huadu District People's Government, deputy secretary of the Party Committee, vice chairman and president of Bank of Guangzhou.

Mr. Liao Wenyi (廖文義), male, born in November 1962, a member of the Communist Party of China, graduated from Southwest University of Finance and Economics with a master's degree in economics. Mr. Liao is an associate professor. He is currently external director of Guangdong Hengjian Investment Holding Co., Ltd., independent director of Daye Trust Co., Ltd., vice chairman of Guangdong Financial Think Tank Association, and the independent director of Guangxi Rural Commercial & United Bank Co., Ltd. (廣西農村商業聯合銀行股份有限公司). He served as an assistant lecturer in the Department of finance of Hunan University of Finance and Economics (now renamed Hunan University), a lecturer, section chief and deputy director of the Department of finance, director of scientific research department and associate professor, a member of the CPC Committee and vice president of Guangzhou Higher Academy of Finance (now renamed Guangdong University of Finance). He served as office director of the People's Bank of China Guangdong Branch. He served as member of the CPC Committee and office director of the business management department of People's Bank of China Guangzhou Branch. He served as deputy secretary of the Party Committee and vice president of Dongguan Central Branch of People's Bank of China (中國人民銀行東莞市中心支行). He served as secretary of the Party Committee, president and director of SAFE branch of People's Bank of China Yangjiang Central Branch (中國人民銀行陽江市中心支行). He served as the head of Preparatory Work Team for Yangjiang Regulatory Branch of CBIRC (formerly known as the "CBRC"). He served as director of city bank supervision department of Guangdong banking regulatory branch. He served as CPC committee member and deputy director of Guangxi banking regulatory branch. He served as a bank officer, and vice president of Guangdong Nanyue Bank (廣東南粵銀行). He served as executive president of the Research Institute of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司研究院). He served as independent director of Guangdong Heshan Rural Independent Commercial Bank Co., Ltd. (廣東鶴山農村商業銀行股份有限公司), Guizhou Tianhong Mining Co., Ltd. (貴州天弘礦業股份有限公司), Guanbao Biotechnology Co., Ltd. (冠昊生物科技股份有限公司), and Guilin Bank (桂林銀行).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Du Jinmin (杜金岷), male, born in July 1963, a member of the Communist Party of China, graduated from Nanjing Agricultural University with a doctoral degree. He is currently a professor (Grade II) of Jinan University and a doctoral supervisor, director of the office of the leading group of new Shenzhen Campus of Jinan University, director of research base of Guangzhou Nansha Pilot Free Trade Zone (Guangzhou key research base of Humanities and Social Sciences), and independent director of Gifore Agricultural Science & Technology Service Co., Ltd. and Shenzhen Langchi Xinchuang Science & Technology Co., Ltd.

Mr. Zhang Weiguo (張衛國), male, born in December 1963, a member of the Communist Party of China, graduated from Xi'an Jiaotong University with a doctor degree. He is currently the professor and doctoral supervisor, the leader of the discipline of Management Science and Engineering, and the head of the firstlevel doctoral program of Management Science and Engineering of the School of Business Administration of South China University of Technology. He is a special professor of the National High-level Talent Program, a recipient of the National Outstanding Youth Science Fund, a national level candidate of the National Hundred Million Talents Project, and an expert enjoying the special allowance from the State Council. He served as a teacher in the Department of Mathematics of Ningxia Normal College, a professor and deputy director of the Department of Mathematics and Computer Engineering and Western Development Research Center of Ningxia University, a professor, doctoral supervisor and deputy dean (presiding over the work) of the School of Economics and Trade of South China University of Technology, and a professor, doctoral supervisor, deputy dean, executive vice president and dean of the School of Business Administration of South China University of Technology.

Mr. Zhang Hua (張華), male, born in March 1965, graduated from Jiangxi University of Finance and Economics with a master's degree in economics. Mr. Zhang is an economist. He is currently the general manager of Shanghai Erluo Investment Management Service Center (General Partnership), and concurrently serves as an independent director of Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司) and Guangdong Utrust Financial Leasing Co., Ltd. (廣東粵財金融租賃股份有限公司). He served as the deputy director of Guangdong branch of China Development Bank (國家開發銀行廣東省分行), an analyst of Guangdong Golden Finger Investment Consulting Co., Ltd. (廣東金手指投資顧問有限公司), director and deputy manager of investment banking department of Guangzhou Baoxin Holding Group Co., Ltd. (廣州市寶鑫控股集團有限公司), assistant to president of Junhua Group Co., Ltd. (君華集團有限公司), deputy general manager of Guangzhou Yingzhi Caihua Investment Co., Ltd. (廣州市英智財華投資有限公司), deputy general manager of Guangzhou Driver Investment Co., Ltd. (廣州德瑞投資有限責任公司), deputy general manager of Shenzhen Dongying Ruitong Investment Management Partnership (Limited Partnership), an independent director of Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司), Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司), Zhuhai Taichuanyun Community Technology Co., Ltd. (珠海太川雲社區技術股份公司) and Guangdong Expressway Development Co., Ltd. (廣東高速公路發展股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ma Hok Ming (馬學銘), male, born in June 1975, has a bachelor's degree in accounting from the Hong Kong Polytechnic University, a member of the Hong Kong Institute of Certified Public Accountants. He is currently the managing director and head of Investment Banking Division of ABCI Capital Limited (農銀國際融資有限公司), and concurrently serves as an executive director of ABCI Capital Acquisition Limited and Everest Acquisition Corporation, a member of the Construction Industry Council in Hong Kong. He served as an assistant senior auditor of Deloitte Touche Tohmatsu (德勤•關黃陳方會計師事務所), assistant manager of corporate finance department of South China Capital Limited (南華融資有限公司), assistant manager of investment banking department of Core Pacific – Yamaichi Capital Limited (京華山一融資有限公司), senior manager of corporate financing department of KE Capital (Hong Kong) Limited (金英企業融資香港有限公司), chief financial officer of Sungreen International Holdings Limited (綠陽國際控股有限公司), assistant director of corporate financing department of the KE Capital (Hong Kong) Limited (金英企業融資香港有限公司), audit manager of Deloitte & Touche LLP, senior vice president of investment banking department of ICEA Capital Limited (工銀東亞融資有限公司), an executive director of investment bank of ICBC International Capital Limited (工銀國際融資有限公司投資銀行), managing director and joint director of investment banking business of ABCI Capital Limited (農銀國際融資有限公司), assistant president of Zhuguang Holdings Group Company Limited (珠光控股集團有限公司).

Mr. Liu Wensheng (劉文聖), male, born in September 1968, a member of the Communist Party of China, has a master's degree in economics from Northeast Normal University, and is a senior economist. He currently serves as the member of the Party Committee and deputy general manager of Guangzhou Finance Holdings Group Co., Ltd.. He once served as a staff of Changchun People's Square Sub-branch, a staff of international business department of Changchun Branch, an assistant to president, vice president and vice president (responsible for the overall operation) of Changchun Chaoyang Sub-branch of China Construction Bank, president of the Tianhe Sub-branch of Guangzhou Commercial Bank, general manager of credit review department and assistant to president (during which: concurrently served as the general manager of credit review department and the general manager of corporate finance department) of Guangzhou Commercial Bank, an assistant to the president of Guangzhou Bank (during which: concurrently served as leader of preparation team of Shenzhen Branch and president of Shenzhen Branch), a member of the Party Committee and chairman of the Board of Supervisors of Guangzhou Rural Commercial Bank, a member of the Party Committee and the secretary of the Discipline Inspection Committee of Guangzhou Finance Holdings Group Co., Ltd., a member of the Party Committee and the chief of the Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision stationed in Guangzhou Finance Holdings, a member of the Party Committee and deputy general manager (during which: concurrently served as the secretary of the Party Committee of Daye Trust Co., Ltd.) of Guangzhou Financial Holding Group Co., Ltd..

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wang Xiaobin (王曉斌), male, born in January 1977, a member of the Communist Party of China, and has a master's degree in business administration from Sun Yat-sen University. He currently serves as the secretary of the Party Committee and general manager of the financial management department of Guangzhou Metro Group Co., Ltd., and concurrently serves as the deputy general manager of Guangzhou Metro Construction Investment and Financing Co., Ltd. (廣州地鐵建設投融資有限公司), the director of Guangzhou Metro Investment Finance (HK) Limited (廣州地鐵投融資(香港)有限公司), and the director of Guangzhou Metro Investment and Financing (BVI) Co., Ltd. (廣州地鐵投融資(維京)有限公司), vice chairman of Guangzhou Green Infrastructure Industry Investment Fund Management Co., Ltd. (廣州綠色基礎設施產業投資基金管理有限公司), director of the Urban Rail Transit Accounting Academic Committee of the China Construction Accounting Institute (中國建設會計學會), director of the 8th corporate board member of the Taxation Institute of Guangzhou (廣州市稅務學會), director of Guangzhou Metro Design and Research Institute Co., Ltd. (廣州地鐵設計研究院股份有限公司), and director of Guangdong Pearl River Delta Intercity Rail Co., Ltd. (廣東珠三角城際軌道有限公司). He once served as an assistant economist in the planning department, the chief budget analyst, the supervisor, and manager of the budget analysis department of the finance headquarters, the general manager assistant and manager of the budget analysis department of the finance headquarters, and the deputy general manager of the financial management department of Guangzhou Metro Group Co., Ltd. (formerly known as Guangzhou Metro Corporation before restructuring).

Mr. Zuo Liang (左梁), male, born in October 1979, a member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree in Business Administration and obtained the qualification of economist. He currently serves as the secretary of the Party Committee and chairman of Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), and concurrently serves as the executive director of GIIHG Venture Capital Fund Management Co., Ltd. (廣州工控創業投資基金管理有限公司), executive director of GIIHG Industrial Investment PE Fund Management Co., Ltd. (廣州工控產投私募基金管理有限公司), director of Beijing Dinghan Technology Group Co., Ltd. (北京鼎漢技術集團股份有限公司) and China Auto Electronics Group Limited (天海汽車電子集團股份有限公司), chairman of board of supervisors of Jiangsu Rainbow Heavy Industries Co., Ltd. (江蘇潤邦重工股份有限公司). He served as a staff of Shenzhen branch of Ming An Insurance Company (Hong Kong) Limited (香港民安保險公司深圳分公司), a staff member of the Guangzhou Finance Bureau, a staff member, senior staff member and deputy director of Guangzhou SASAC, the chief strategy officer of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Da Hengcheng (答恒誠), male, born in February 1973, a member of the Communist Party of China, graduated from Jinan University with a bachelor's degree in enterprise management and is an economist. He is currently the chairman and general manager of Guangzhou Pearl River Real Estate Co., Ltd. He also serves as the chairman of Guangzhou Overseas Chinese Real Estate Development Co., Ltd., director of Guangzhou Pearl River Industrial Park Investment Development Co., Ltd., director of Guangdong Yihua Real Estate Development Co., Ltd., director of Guangzhou Chengjian Real Estate Development Co., Ltd., director of Guangzhou Jianyu Real Estate Development Co., Ltd., and executive vice president of Guangdong Real Estate Industry Association. He once served as a clerk, deputy director of the office and deputy director of the real estate department of Guangzhou No. 1 Construction Engineering Co., Ltd., assistant to manager, deputy manager and manager of the real estate operation branch of Guangzhou Construction Group Co., Ltd., deputy chief economist of Guangzhou Pearl River Enterprises Group Co., Ltd., director, general manager and chairman of Guangzhou Chengshi Investment Co., Ltd., director and general manager of Guangzhou Xinjishan Real Estate Co., Ltd., director, general manager and deputy Party secretary of Guangzhou Pearl River Development Group Co., Ltd. (formerly known as Guangzhou Pearl River Industrial Development Co., Ltd.), director and general manager of Guangzhou Boutique Pearl River City Development and Operation Co., Ltd., and the secretary to the Party general branch, chairman of Guangzhou City Renewal Group Co., Ltd..

Mr. Zhang Junzhou (張軍洲), male, born in August 1962, a member of the Communist Party of China. Mr. Zhang obtained a doctoral degree of Economics and is a senior economist. Mr. Zhang currently serves as the chairman of the board of Zhujiang Life Insurance Co., Ltd (珠江人壽保險股份有限公司). He served as assistant to the general manager, director and acting general manager of Hainan International Leasing Co., Ltd. (海南國際租賃有限公司), assistant to the general manager of the Trust and Investment Company of Agricultural Bank of China (中國農業銀行信託投資公司), deputy general manager of China Great Wall Trust and Investment Company (中國長城信託投資公司), deputy general manager of Laws and Regulations Department, general manager of Legal Affairs Department, general manager of Fund Custody Department and general manager of Custody Business Department of Agricultural Bank of China, deputy secretary (in charge of the work), secretary of the Party Committee, president of the Guangxi Branch of Agricultural Bank of China (中國農業銀行廣西區分行), secretary of the Party Committee and president of the Sichuan Branch of Agricultural Bank of China (中國農業銀行四川省分行), general manager of the Corporation and Investment Banking Business Department and Corporation Business Department of Agricultural Bank of China, president of Guangdong Zhujiang Financial Investment Co., Ltd. (廣東珠江金融投資有限公司) and the executive director and vice president of Guangdong Zhujiang Investment Co., Ltd. (廣東珠江投資股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Meng Sen (孟森), male, born in May 1968, a member of the Communist Party of China, and has a master's degree in statistics from Shanghai University of Finance and Economics. He currently serves as the deputy secretary of the Party Committee and general manager of AEON Insurance Asset Management Co., Ltd. He once served as a programmer in the computer center of the production planning department of the Liaoyuan Wireless Power Plant (燎原無線電廠) of the Ministry of Aeronautics and Astronautics, a lecturer in the School of International Economic and Trade Management of Shanghai International Studies University, a financial officer of the business department and Shanghai headquarters of Ping An Securities Company Limited, a portfolio manager of the asset operation center of Ping An Insurance (Group) Company of China, Ltd., and a chief assistant, deputy general manager, and general manager of the investment management department of Ping An Asset Management Co., Ltd., general manager of asset liability management department of the Ping An Insurance (Group) Company of China, Ltd. and assistant to general manager (and Chief Investment Officer) of Ping An Life Insurance Company of China, Ltd.

Mr. Feng Yaoliang (馮耀良), male, born in May 1961. Mr. Feng currently serves as chairman of Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司), and concurrently serves as the chairman of Guangdong Cold Chain Association (廣東省冷鏈協會), chairman of Guangdong Federation of Social Organizations (廣州市社會組織聯合會), vice chairman of Guangzhou Federation of Industry and Commerce (廣州市工商聯), chairman of Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會), chairman of Guangzhou City Haizhu District Federation of Industry and Commerce (廣州市海珠區工商聯), vice chairman of Guangzhou Private Enterprise Association (廣州市私營企業協會), Director of Jiangmen Rural Commercial Bank Co., Ltd. (江門農村商業銀行股份有限公司), supervisor of Guangdong-Hong Kong-Macao Greater Bay Area Industry Finance Investment Company Limited (粵港澳大灣區產融投資有限公司).

Mr. Lai Zhiguang (賴志光), male, born in July 1985. Mr. Lai is currently the president of Guangdong Dongsheng Holding Group Co., Ltd. (廣東東升控股集團有限公司), member of the standing committee of the All-China Youth Federation, Guangdong CPPCC member, vice president of Guangdong Youth Federation, member of the standing committee of Guangdong Federation of Industry & Commerce (廣東省工商聯), standing vice president of Guangdong Hakka Chamber of Commerce (廣東省客家商會), president of Guangdong Provincial Hakka Federation of Young Entrepreneurs (廣東省客家青年企業家聯合會), vice president of China Sandstone Association (中國砂石協會), president of Guangdong Provincial Sandstone Association (廣東省砂石分會), chief supervisor of Guangdong Ecological Restoration Association (廣東省生態修復協會), honorary president of Guangdong Federation of Young Entrepreneurs (廣東省青年企業家聯合會), and executive president of Guangdong Young Entrepreneurs' Association (廣東省青年企業家協會).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Wang Xigui (王喜桂), female, born in August 1966, a member of the Communist Party of China. She graduated from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) and obtained a bachelor's degree in economics and the qualification of accountant. She now serves as chairman of the Board of Supervisors and employee supervisor of the Board of Supervisors of Guangzhou Rural Commercial Bank (廣州農村商業銀行). She once served as teacher of Hubei School of Finance of Zhongnan University of Finance and Economics, clerk of the finance division of the freight insurance department, vice section chief, section chief and assistant to chief director of the accounting division of the Guangzhou Branch of PICC, deputy general manager of the finance department, deputy general manager (responsible for the operations) and general manager of the information technology department/channel management department (now known as the information technology department/sales management department) of Guangzhou Branch of PICC Property and Casualty Company Limited, researcher of the accounting department and the general office of the Bureau of Finance of Guangzhou, and chairman of the board of supervisors of Guangzhou City Construction Investment Group and Guangzhou Water Investment Group assigned by Guangzhou SASAC.

Ms. He Heng (賀珩), female, born in April 1970, a member of the Communist Party of China. She graduated from Hunan University (previously known as Hunan Finance and Economics School) and obtained a master's degree in economics and the qualification of economist. She now serves as employee supervisor and general manager of office of Board of Supervisors of Guangzhou Rural Commercial Bank. She once served as deputy director of teaching and research section, Secretary of Youth League general branch of Xiangtan University, staff member and deputy principal staff member of operation supervision division of PBOC Guangzhou Branch, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department of PBOC Guangzhou Branch, principal staff member, assistant consultant and deputy chief of policy and regulation section, deputy chief and deputy chief (responsible for the overall works) of business innovation supervision and cooperation section of CBRC Guangdong Office, deputy general manager of risk management department and credit management department (secondment position) of Guangdong Branch of Industrial and Commercial Bank of China, assistant to president of Zhujiang Financial Leasing Co., Ltd., deputy general manager (in charge) and general manager of performance management department and chief senior manager of investment and institution management department of Guangzhou Rural Commercial Bank, general manager of rural financial restructuring office of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. She was temporarily responsible for the work of Commission for Discipline Inspection (Inspection Office).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lai Jiexiong (賴嘉雄), male, born in October 1975, a member of the Communist Party of China, graduated from Guangdong College of Commerce and obtained a master's degree in laws in Jinan University. He now serves as employee supervisor and general manager of the Logistics Service Department of Guangzhou Rural Commercial Bank. He concurrently serves as an expert of the expert pool of Chinese Banking Association, executive director of the Civil and Commercial Law Research Society of Guangdong Law Society and of the Rural Revitalization Law Research Association of Guangdong Province, president of the Company Law Research Society of Guangzhou Law Society and a member of the Master Research and Defense Committee of South China Agricultural University. He once served as clerk of the planning and credit department, section-level member of the loan approval committee and deputy general manager of the loan approval department of Guangzhou Rural Credit Cooperative Union, deputy director of Huangpu Credit Cooperative Union (黃埔信用社), deputy general manager of credit approval department of head office of Guangzhou Rural Commercial Bank, chairman of Huixian Zhujiang Rural Bank, chief senior manager of the rural banking division (institutional development department), chief senior manager of the risk management department, general manager of the credit management center and deputy general manager of the compliance and risk management department and deputy general manager of the compliance and legal affairs center of Guangzhou Rural Commercial Bank, employee supervisor and general manager of the Compliance, Legal Affairs Department (Anti-money Laundering Center, Consumer Rights Protection Center) and Compliance and Legal Department (Anti-money Laundering Center) of Guangzhou Rural Commercial Bank.

Mr. Han Zhenping (韓振平), male, born in January 1973, a member of the Communist Party of China. He was graduated from Sun Yat-sen University with a master's degree in management. He is certified public accountant and asset appraiser. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a senior partner and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership (中審眾環會計師事務所特殊普通合夥)), and concurrently serves as an external director of Guangdong GW Holding Group Co., Ltd. (廣東省廣物控股集團有限公司), an external director of Guangzhou Public Transport Group Co., Ltd. (廣州市公共交通集團有限公司), an independent director of Guangzhou Pearl River Beer Co., Ltd. (廣州珠江啤酒股份有限公司), and vice president of Guangdong Bankruptcy Administrators Association (廣東省破產管理人協會). He once served as the financial manager of Heilongjiang Jiamusi Fumin Agricultural Production Material Co., Ltd. (黑龍江省佳木斯富民農業生產資料有限公司), the project manager of Beijing Tianhua Certified Public Accountants (北京天華會計師事務所), senior manager, deputy chief accountant and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審會計師事務所), a partner and director of Guangdong Branch of China Audit Asia Pacific Certified Public Accountants LLP (Limited Liability Partnership) (中審亞太會計師事務所特殊普通合夥), he concurrently served as an independent director of Guangdong HuaSheng Electrical Appliances Co., Ltd. (廣東華聲電器股份有限公司), an independent director of Guangdong Jingyi Metal Co., Ltd. (廣東精藝金屬股份有限公司), an independent director of Guangdong Real-Design Intelligence Technology Co., Ltd. (廣東瑞德智能科技股份有限公司) and an independent director of China Southern Power Grid Co., Ltd. (南方電網綜合能源股份有限公司獨立董事).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shi Shuiping (石水平), male, born in May 1975, a member of the Communist Party of China. He graduated from Sun Yat-sen University with a doctoral degree in accounting and is an international Certified Anti-Fraud Professional. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a professor in the Department of Accounting, School of Management, Jinan University, a vice chairman of Guangdong Association of Management Accountants, a director of Guangdong Auditing Society, and an executive director of Guangzhou Auditing Society. He is also an independent director of Guangzhou Zhujiang Development Group Co., Ltd. (廣州珠江發展集團股份有限公司), Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司), Sunward Intelligent Equipment Co., Ltd. (山河智能裝備股份有限公司) and Guangdong Sihui Rural Commercial Bank Co., Ltd. (廣東四會農村商業銀行股份有限公司). He once concurrently served as an independent director of Guangdong Yuanshang Logistics Co., Ltd. (東原尚物流股份有限公司), Shenzhen Xintian Technology Co., Ltd. (深圳市欣天科技股份有限公司), Chongqing VDL Electronics Co., Ltd. (重慶市紫建電子股份有限公司), Yingfeng Environmental Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司), Guangdong Dinggu Jichuang Households Co., Ltd. (廣東頂固集創家居股份有限公司) and Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司).

Mr. Huang Tianshun (黃添順), male, born in October 1968, a member of 93 Society and graduated from the School of Law of Sun Yat-sen University (bachelor's degree) and the Southwest University of Political Science and Law (master's degree). He currently serves as an external supervisor of Guangzhou Rural Commercial Bank, a senior partner and the chairman of partners meeting of the Guangdong Lingnan Law Firm (廣東嶺南律師事務所), and also serves as the arbitrator of the Guangzhou Arbitration Commission, a master's tutor of the School of Law of Sun Yat-sen University, a part-time professor of Guangdong University of Foreign Studies and the independent director of the Guangzhou Ruoyuchen Technology Co., Ltd. (廣州若羽臣科技股份有限公司). He formerly served as a public lawyer of the Shantou Justice Bureau (汕頭市司法局), director of Guangdong Guoyuan Lingdong Law Firm (廣東國源嶺東律師事務所), director of Guangdong Lingnan Law Firm (廣東嶺南律師事務所), member of the 14th/15th National Committee of the Chinese People's Political Consultative Conference of Haizhu District, chairman of first session of Lawyers' Working Committee of Haizhu District (海珠區律師工作委員會), external director of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司), independent director of Jiangxi Shimei Pharmaceutical Co., Ltd. (江西施美藥業股份有限公司), and legal adviser of CP Group (泰國正大集團), CRGL Group (中國中鐵集團), Shantou Branch of Bank of China, Shantou Branch of Industrial and Commercial Bank of China, Guangdong Branch of China Construction Bank, Haizhu Branch of China Construction Bank, Guangzhou Branch of Cinda Asset Management Company, Guangzhou Economic and Trade Bureau, Haizhu District Government, Civil Affairs Bureau of Haizhu District, United Front Work Department of Haizhu District and Public Security Bureau of Haizhu District and other Party and government organs.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chen Jianliang (陳建良), male, born in September 1967, a member of the Communist Party of China, graduated from the Logistics Engineering Department of Lanzhou Jiaotong University with a master's degree, senior engineer. He is currently a shareholder supervisor of Guangzhou Rural Commercial Bank, the secretary of the Party Committee and the chairman of the board of directors of GRG Banking Equipment Co., Ltd. (廣電運通集團股份有限公司), the chairman of the board of directors of each of GRG Banking Financial Electronic Technology Co., Ltd. (廣州廣電銀通金融電子科技有限公司), GRG Banking Security Investment Co., Ltd. (廣州廣電銀通安保投資有限公司), Shenzhen GRG Banking Technology Co., Ltd.* (深圳廣電銀通金融電子科技有限公司) and Guangzhou Pingyun Craftsman Technology Co., Ltd. (廣州平雲小匠科技股份有限公司), a director of each of GRG Banking Intelligent Technology Co., Ltd. (廣州廣電運通智能科技有限公司), GRG Banking Information Technology Co., Ltd. (廣州廣電運通信息科技有限公司), GRG Suitong Financial Services Co., Ltd.* (廣州穗通金融服務有限公司) and Beijing CTJ Info-Tech Corporation Co., Ltd. (北京中科江南信息技術股份有限公司). He once served as an electromechanical engineer, director of the design department, supply chain management manager, assistant general manager, executive deputy general manager and general manager of GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司), the chairman of the board of directors of each of Shenzhen GRG Banking Technology Co., Ltd. (深圳市廣電信義科技有限公司), Guangzhou Suitong Financial Services Co., Ltd. (廣州穗通金融服務有限公司) and GRG Banking Information Technology Co., Ltd., a director of each of GRG Banking International Co., Ltd. (廣電運通國際有限公司), Guangzhou Zhongzhi Rongtong Financial Technology Co., Ltd. (廣州中智融通金融科技有限公司), GRG Research Co., Ltd. (廣州廣電研究院有限公司), Jiangsu Vital Fintech Data Corporation Co., Ltd. (江蘇匯通金科數據股份有限公司), Guangzhou Information Investment Co., Ltd. (廣州信息投資有限公司), GRG Banking Technology Co., Ltd. (廣州廣電匯通科技有限公司), GRG Digital Economy Investment and Operation Co., Ltd. (廣州廣電數字經濟投資運營有限公司) and Guangzhou Yuntong Shuda Technology Co., Ltd. (廣州運通數達科技有限公司), as well as the general manager of GRG Banking Financial Electronic Technology Co., Ltd. (廣州廣電銀通金融電子科技有限公司).

Mr. Liang Bingtian (梁炳添), male, born in August 1973, a member of the Communist Party of China. He was graduated from China Central Radio and TV University with a bachelor's degree in management. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, deputy secretary of the Party General Branch of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司). He once served in Unit 53311 and 53320. He worked at Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司); he once served as a member of the Party branch of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司); deputy secretary of the Party General Branch and concurrently served as a member of the board of directors of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司).

Mr. Feng Jintang (馮錦棠), male, born in November 1961, obtained an MBA degree from the City University of Macau. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, director and general manager of Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司). He once worked in Foshan Medical Device Factory (佛山市醫療器械廠) and served as the factory manager of Foshan Aesthetic Comprehensive Furniture Factory (佛山市審美綜合家具廠), the factory director of Foshan Dongjian Aesthetic Furniture Factory (佛山市東建審美家具廠), deputy section chief and section chief of Foshan Dongjian Co., Ltd. (佛山市東建集團公司), assistant to the general manager and deputy general manager of Foshan Dongjian Group Co., Ltd., director and deputy general manager of Foshan Dongjian Group Co., Ltd., director and executive deputy general manager of Foshan Dongjian Group Co., Ltd. and concurrently serves as a shareholder supervisor of Foshan Rural Commercial Bank (佛山農村商業銀行股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Deng Xiaoyun (鄧曉雲), female, born in September 1976, a member of the Communist Party of China, graduated from South China Agricultural University with a master's degree in economics. She currently serves as the deputy secretary of the Party Committee, a President and a proposed executive director (subject to election at the general meeting) of Guangzhou Rural Commercial Bank Co., Ltd.*. Ms. Deng has served as the deputy manager of the personal department of Guangzhou Beixiu Sub-branch of Agricultural Bank; a member, a senior staff member and a principal staff member of the financial division of Guangdong Provincial Financial Affairs Office; a principal staff member and a deputy director of the banking credit market division of the Financial Affairs Office of the People's Government of Guangdong Province; a deputy director of Zhaoqing (Dawang) National High-tech Zone Management Committee (肇慶(大旺)國家高新技術區管委會); a director of the insurance market division of the Financial Affairs Office of the People's Government of Guangdong Province; a member of the Party Leadership Group, the deputy secretary of the Party Leadership Group (in charge of the work), the secretary of the Party Leadership Group and director of the Financial Work Bureau of Guangzhou Nansha Development Zone (Nansha Area of Free Trade Zone); and a member of the Party Leadership Group and deputy director of Guangzhou Local Financial Supervision and Administration Bureau.

Mr. Zhao Wei (趙偉), male, born in September 1964, a member of the Communist Party of China, graduated from Jinan University and obtained a master's degree in management and the qualification of intermediate accountant. He now serves as the Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank. He once served as a chief staff member and director of the quality office (at department level) of the finance department of Guizhou Rubber Parts Factory (貴州橡膠配件廠); chief accountant and chief of the finance department of Shunde Zhujiang Packaging Company in Guangdong Province (廣東省順德珠江包裝公司); cadre, principal staff member and deputy director (in charge) of the audit office of foreign capital administration in the Guangzhou Resident Office of the Audit Commission; deputy director (in charge) of the first division of the financial audit department in the Guangzhou Resident Office of the Audit Commission; director of Fixed Assets Investment Audit Office, director of Social Security Audit Office and director of Foreign Funds Utilization Audit Office; dispatched chairman of the board of supervisors of Guangzhou state-owned enterprises, namely Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司) and Guangzhou Public Transportation Group (廣州市公共交通集團有限公司); dispatched chairman of the board of supervisors of Guangzhou Flagship Development Group Co., Ltd. (a Guangzhou state-owned enterprise), and chairman of the board of supervisors and secretary of Commission for Discipline Inspection of Flagship Development Group (風行發展集團).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lin Ripeng (林日鵬), male, born in January 1970, a member of the Communist Party of China, graduated from Guangdong Academy of Social Sciences, and obtained a master's degree in advanced business administration from the Management School of Sun Yat-sen University and the qualification of political engineer and human resources professional. He now serves as vice president of Guangzhou Rural Commercial Bank. He once served as a staff member of Shijing Credit Cooperative of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社聯合社石井信用社), assistant to section chief and deputy section chief of personnel and political engineering section of Guangzhou Baiyun Sub-branch of Agricultural Bank of China (中國農業銀行廣州市白雲支行人事政工科), deputy manager and manager of the personnel department of Baiyun Credit Cooperative of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社白雲信用社), deputy general manager and general manager of personnel and education department (human resources department) of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社) and concurrently deputy secretary of commission for discipline inspection and director of supervision office of Guangzhou Rural Credit Cooperative Union, general manager of human resources department, office general manager and general manager of property management center of Guangzhou Rural Commercial Bank, president of Henan Xinyang Zhujiang Rural Bank (河南信陽珠江村鎮銀行), and chairman of board of supervisors of Bank of Guangzhou.

Mr. Li Yaguang (李亞光), male, born in November 1967, a member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree in science. He is also a computer engineer and senior economist. He is now the vice president of Guangzhou Rural Commercial Bank. He once served as a technician of Nanjing Jinshan Electrical Corporation (南京金山電氣公司), deputy section chief, section chief, responsible person and deputy director of science and technology department of Guangzhou Urban Credit Cooperative Union (廣州城市信用合作社), section chief, deputy general manager of science and system management department, general manager of the card department, general manager of personal banking department, section chief of Development Zone Sub-branch and general manager of science and technology research and development department of Guangzhou Commercial Bank (廣州市商業銀行), and a member of Party Committee, assistant to president and vice president of Guangzhou Bank (廣州銀行).

Mr. Tan Bo (譚波), male, born in May 1974, a member of the Communist Party of China, graduated from Zhongnan University of Economics and Law, and obtained a doctoral degree in economics and the qualification of senior economist. He now serves as the assistant to president of Guangzhou Rural Commercial Bank. He once served as a staff member of financial institutions supervision department of PBOC Yangjiang City Branch; member of the Party Leadership Group and vice president of PBOC Yangdong County Branch (人民銀行陽東縣支行); deputy director of preparatory division office, chief of supervisory section 1, deputy director of office, deputy director of the party committee office (in charge of overall works), director of office, director of the Party Committee Office and head (director) of personnel department (organization division) of Yangjiang sub-division of CBRC (陽江銀監分局); member of the Party Committee and deputy head of Meizhou sub-division of CBRC (梅州銀監分局); member of the Party Committee and secretary of Commission for Discipline Inspection of Zhaoqing subdivision of CBRC (肇慶銀監分局); member of the Party Committee and deputy head of Yangjiang sub-division of CBRC (陽江銀監分局); secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局); leading post cadre of divisions, secretary of the Party Committee and head of Yunfu sub-division of CBIRC (雲浮銀保監分局) and secretary of the Party Committee and head of Jiangmen sub-division of CBIRC (江門銀保監分局), and secretary of the board of directors of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Mao Libing (毛麗冰), female, born in December 1970, a member of the Communist Party of China, graduated from Central Radio and Television University and South China University of Technology successively and obtained the qualification of senior management, MBA and economist. She is now an assistant to president of Guangzhou Rural Commercial Bank. She once served as a staff member and section member of Huangpu Sub-branch of Construction Bank of China (中國建設銀行黃埔支行), deputy director of Huangpu Sub-branch Yongfu Office (黃埔支行永福辦事處), deputy director and director of Huangpu Branch Dengfeng Office (黃埔支行登峰辦事處), section chief of the Credit Operation Section of Guangzhou Economic and Technological Development District Sub-branch of Construction Bank of China (中國建設銀行廣州經濟技術開發區支行), president of Guangzhou Jianshe Road Sub-branch (廣州市建設路支行), vice president of Guangzhou Economic and Technological Development District Sub-branch, Guangzhou Dongshan Road Sub-branch (廣州市東山支行), deputy general manager of Guangzhou Railway Customer Operation Center (廣州鐵路客戶經營中心), vice president of Guangzhou Railway Sub-branch (廣州鐵路支行), general manager of Guangzhou Personal Banking Department of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), general manager (in charge) of the institution management department of Guangzhou Rural Commercial Bank, vice president of Liwan Sub-branch (荔灣支行) (proposed, in charge), president of Liwan Sub-branch, president of Panyu Sub-branch (番禺支行) and Yangcheng Sub-branch (羊城支行), president of Panyu Sub-branch (under the jurisdiction), president of Sannong Business Group (三農業務事業群), general manager of Sannong Business Management Department (三農業務管理部), general manager of the Real Estate Finance Department (不動產金融業務部), general manager of the Financial Business Management Department (金融業務管理部) and general manager of Business Department of Head Office of the Company.

Mr. Gu Bo (古波), male, born in December 1981, a member of the Communist Party of China, graduated from South China Agricultural University with a doctoral degree in management. He is now an assistant to president of Guangzhou Rural Commercial Bank. He once served as a senior staff member, deputy director, deputy director (in charge of overall work), director and organizational member of Party General Branch, and deputy secretary of the First Party Branch of Huizhou Supervision Bureau of China Banking Regulatory Commission (中國銀行業監督管理委員會); assistant to general manager of the Development and Planning Department of Guangzhou Bank, assistant to office general manager of Guangzhou Bank, a member of the Disciplinary Inspection Committee of Guangzhou Bank, vice president, secretary of Party General Branch and president of Guangzhou Bank Huizhou Branch, director of CPC Organization Department and general manager of HR Department of Guangzhou Bank; and deputy chief of Discipline Inspection and Supervision Team of Guangzhou Municipal Commission for Discipline Inspection and Supervision in Guangzhou Rural Commercial Bank.

Ms. Wu Wenli (吳文莉), female, born in August 1978, a member of the Communist Party of China, graduated from Sun Yat-sen University with a bachelor's degree in law. She now serves as secretary of the Board of Directors of Guangzhou Rural Commercial Bank. She once served as a staff member of CITIC Guangzhou Development Co., Ltd. (中信廣州發展公司) and CITIC South China (Group) Co., Ltd. (中信華南(集團)有限公司), a staff member of the Credit Department of Yuexiu Sub-branch of Guangzhou Branch of Shanghai Pudong Development Bank (上海浦東發展銀行廣州分行越秀支行), chief staff member of the Compliance Department, office deputy manager, manager of the office secretarial and assistant to office director of Guangzhou Branch of Shanghai Pudong Development Bank, assistant to the president of Yuexiu Sub-branch, vice president of Yuexiu Sub-branch, president of Tianyu Sub-branch (天譽支行), president of Development District Sub-branch (開發區支行) of Guangzhou Branch of Shanghai Pudong Development Bank (上海浦東發展銀行廣州分行), secretary of the office party branch, director of the office, head of Party Committee Office, director of Propaganda Department of Party Committee, general manager of the Security Department (concurrent) and general manager of Consumer Rights and Interests Protection and Service Management Department (concurrent) of Guangzhou Branch of Shanghai Pudong Development Bank (上海浦東發展銀行廣州分行).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Yang Xuan (楊璇), female, born in December 1976, a member of the Communist Party of China, graduated from Shanghai University of Finance and Economics and obtained a master's degree in business administration, a master's degree in law in Jinan University and the qualification of economist. She now serves as business director and general manager of the Financial Interbank Department of Guangzhou Rural Commercial Bank. She once served as a credit staff member of the Credit Planning Department, deputy manager of Legal Office, deputy manager of the Asset Security Department and manager of the Marketing Department of Operation Center of Guangzhou Tianhe Rural Credit Cooperative Union (廣州市天河農村信用合作聯社); deputy general manager of the Corporate Business Department and general manager of the Compliance and Risk Department of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作聯社公司); general manager of Corporate Financial Department, general manager of the International Business Department of Guangzhou Rural Commercial Bank and general manager of the Corporate Financial Department of the Bank, deputy general manager of Guangzhou Region Business Management Department, vice president and executive president of Corporate Financial Management Department and general manager of Guangzhou Region Business Management Department, president of Free Trade Zone Nansha Branch (自貿區南沙分行) of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. (珠江金融租賃有限公司) and concurrently as the president of Sun Financial Business Department (太陽金融事業部).

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

As of the Latest Practicable Date, Mr. Liao Wenyi newly serves as the vice chairman of Guangdong Financial Think Tank Association and the independent director of Guangxi Rural Commercial & United Bank Co., Ltd. (廣西農村商業聯合銀行股份有限公司) and has resigned as the independent director of Guilin Bank (桂林銀行). Mr. Zhang Hua newly serves as the independent director of Guangdong Utrust Financial Leasing Co., Ltd. (廣東粵財金融租賃股份有限公司), and has ceased to serve as the independent director of Zhuhai Taichuanyun Community Technology Co., Ltd. (珠海太川雲社區技術股份公司) and Guangdong Expressway Development Co., Ltd. (廣東高速公路發展股份有限公司). Mr. Ma Hok Ming newly serves as a member of the Construction Industry Council in Hong Kong. Mr. Da Hengcheng newly serves as the chairman of Guangzhou Overseas Chinese Real Estate Development Co., Ltd., director of Guangzhou Pearl River Industrial Park Investment Development Co., Ltd., director of Guangdong Yihua Real Estate Development Co., Ltd., director of Guangzhou Chengjian Real Estate Development Co., Ltd., director of Guangzhou Jianyu Real Estate Development Co., Ltd., and executive vice president of Guangdong Real Estate Industry Association and has resigned as the general manager of Guangzhou Xinjishan Real Estate Co., Ltd. Mr. Zuo Liang has ceased to serve as the chairman of Guangzhou Wanbao Changrui Investment Co., Ltd. (廣州萬寶長睿投資有限公司).

As of the latest Practicable Date, the information of supervisors of the Bank remained the same.

As of the latest Practicable Date, the information of senior management of the Bank remained the same.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN THE BANK

As of the Latest Practicable Date, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interests in the Bank	Approximate percentage of the relevant class of shares of the Bank
Feng Yaoliang	Director	Interest of a controlled corporation ⁽¹⁾	Domestic Shares	Long	100,010,000	0.694%	0.852%
Lai Zhiguang	Director	Interest of a controlled corporation ⁽²⁾	Domestic Shares	Long	62,500,000	0.434%	0.533%
Liao Wenyi	Director	Beneficial owner	Domestic Shares	Long	1,103,000	0.008%	0.009%
Lai Jiaxiong	Director	Beneficial owner	Domestic Shares	Long	452,224	0.003%	0.004%

Notes:

- (1) These shares were held by Guangzhou Huaxin Group Co., Ltd., which was owned as to 99.54% by Feng Yaoliang. Therefore, by virtue of the SFO, Feng Yaoliang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huaxin Group Co., Ltd.
- (2) These shares were held by Guangdong Dongsheng Industrial Co., Ltd., which was owned as to 100% by Guangdong Dongsheng Holding Group Co., Ltd., and Lai Zhiguang owned 80% of the shares of Guangdong Dongsheng Holding Group Co., Ltd. Therefore, by virtue of the SFO, Lai Zhiguang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangdong Dongsheng Industrial Co., Ltd.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors', chief executives' and supervisors' interests in the Bank's associated corporations					
Name	Capacity	Name of associated corporation	Nature of Interest	Number of shares held (Share)	Approximate percentage in the issued Shares in the associated corporation
Lai Zhiguang	Director	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Interest of a controlled corporation	10,000,000	2.86%

Save as disclosed above, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

VI. EVALUATION MECHANISM AND REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank, under the guidance of relevant national policies, continues to improve the remuneration management measures and performance evaluation system of directors, supervisors and senior management. The remuneration of the directors, supervisors and senior management of the Bank appointed by the organization department of municipal party committee shall be subject to the provisions of the relevant supervisory departments. The remuneration of non-executive directors (including independent directors), external supervisors and shareholder supervisors consists is determined in accordance with the relevant standards of the Implementation Measures for the Remuneration Standards of Directors and Supervisors of Guangzhou Rural Commercial Bank Co., Ltd.* (《廣州農村商業銀行股份有限公司董事、監事薪酬標準實施辦法》) approved by the 2014 annual general meeting of the Bank, which mainly consists of basic remuneration and allowances. The annual basic remuneration is relatively fixed and the allowances are determined based on the meeting attendance and the service time in the Bank, among other factors.

During the Reporting Period, Mr. Zuo Liang, a non-executive director of the Bank agrees to waive the director's remuneration arrangement for 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VII. REMUNERATION OF THE BANK'S SENIOR MANAGEMENT IN 2023

The remuneration of senior management by remuneration group for the year ended 31 December 2023 is as follows:

Remuneration range	Number of persons
RMB0- RMB500,000	1
RMB500,001- RMB1,000,000	0
RMB1,000,001- RMB1,500,000	4
RMB1,500,001- RMB2,000,000	4
RMB2,000,001- RMB2,500,000	2

VIII. THE INFORMATION OF EMPLOYEES OF THE BANK

(I) The Basic Information of Employees

As of the end of the Reporting Period, the total number of employees of the Group was 13,620. Of which, 12,999 employees entered into labor contracts with the Group, and 621 employees were dispatched workers.

1. Gender composition of in-service employees

Gender composition	Number of persons	Percentage
Male	7,122	52.29%
Female	6,498	47.71%

2. Educational background composition of in-service employees

Educational background composition	Number of persons	Percentage
Postgraduate and above	3,284	24.11%
Undergraduate	9,092	66.75%
College and below	1,244	9.14%

3. Age composition of in-service employees

Age composition	Number of persons	Percentage
29 years old and below	3,061	22.47%
30-49 years old	8,254	60.60%
50 years old or above	2,305	16.93%

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration Policy of the Bank

During the Reporting Period, the Bank's remuneration policy remained basically stable. According to the requirements of corporate governance, the Bank established and improved the remuneration system and remuneration management mechanism. The Board of Directors of the Bank is ultimately responsible for the remuneration management. The Nomination and Remuneration Committee of the Board of Directors is responsible for consideration and approval the remuneration management system and policies of the entire Bank, formulating the remuneration scheme of Directors and senior managers, proposing the remuneration scheme to the Board of Directors and supervising the implementation of the scheme.

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks and the Measures for the Implementation of the Reform of Wage Determination Mechanism in State-owned Financial Enterprises, the Bank's total wages are mainly dynamic adjustment and reasonable adjustment, based on the linkage of factors such as serving the real economy, key areas of economic development, economic benefits, shareholder return and risk control, and combined with the Bank's development strategy, operating profit objectives, personnel size and labor productivity, labor input-output rate and non operational external factors. The Bank's payroll management implementation plan, payroll budget and final accounts shall be reported to the superior regulatory department as required.

The remuneration of the Bank's employees consists of fixed remuneration, variable remuneration and welfare income. Fixed salary includes basic salary and subsidies, variable salary includes performance salary and delayed payment of all kinds of performance salary, and welfare income includes social insurance premium, housing provident fund, enterprise annuity, etc.

Following the concept of "performance appraisal leading development" and based on the assessment idea of "undertaking strategy, benchmarking with peers, maintaining true colors and emphasizing core", the Bank established a performance appraisal system composed of indicators such as core development, business efficiency, compliance risk and business transformation, highlighted the responsibilities of risk management subjects and high-quality development requirements, and continued to improve the efficiency of resource allocation.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank has formulated the Measures for the Administration of Salary Deferred Payment of Guangzhou Rural Commercial Bank and the Measures for the Administration of Salary Recourse and Deduction of Guangzhou Rural Commercial Bank to include the personnel of relevant positions required by the regulations in the scope of salary deferred payment, and implement salary recourse deduction for the relevant personnel in accordance with the regulations. The deferred payment of salary is linked to the release of business risks for which employees are responsible, and shall be reasonably determined in accordance with the performance realization and risk changes of different business activities. If the target of salary deferred payment causes risk losses (including actual or expected financial losses due to risk assets, liability incidents, economic cases and economic disputes, etc.) to the Bank due to business risk exposure, non-compliances and disciplinary offenses or dereliction of duty, or is responsible for the occurrence of such losses, and if there exists dereliction of duty or non-compliances in the course of operation of the staff involved in each part of credit management processes, the Bank will put forward accountability and punishment plans and implement deferred payment and salary deduction.

The Bank's remuneration management policy is applicable to all employees who have established a labor contract relationship with the Bank, and there are no exceptions beyond the original remuneration scheme.

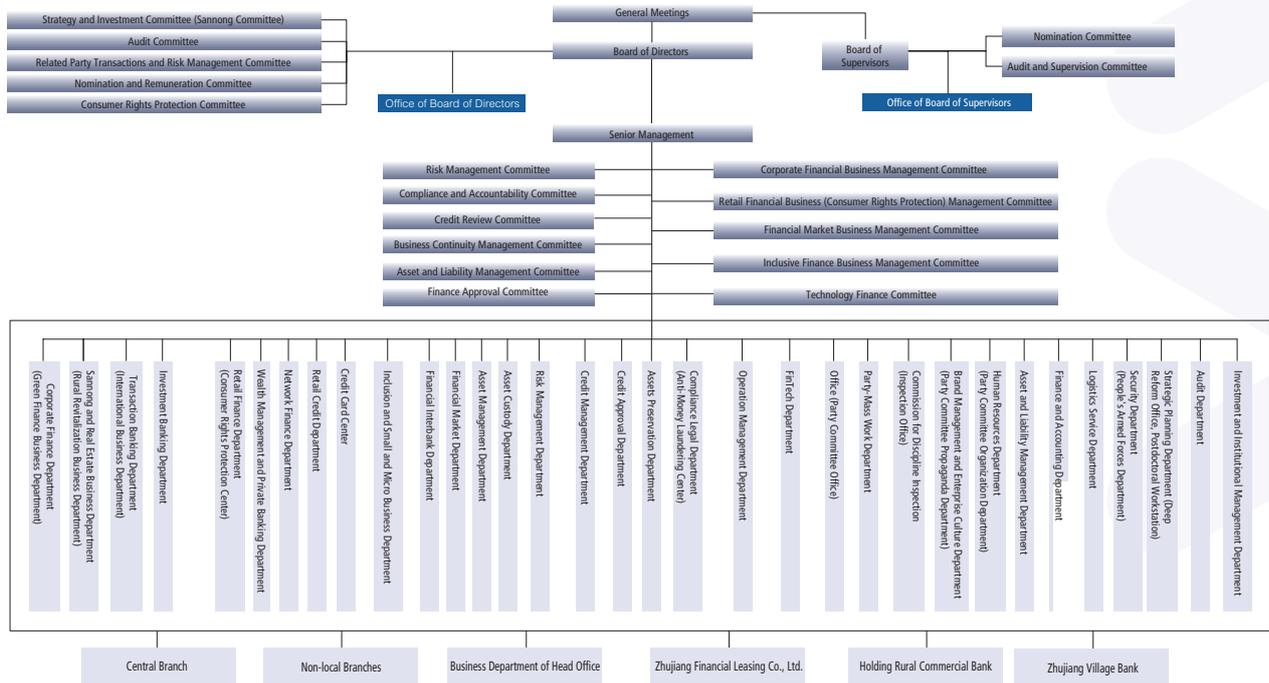
(III) Training of Employees

The Bank has always attached importance to the enhancement of the professionalism and professional quality of its employees. In 2023, the Bank thoroughly implemented the spirit of the 20th National Congress of the Communist Party of China, adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. In conjunction with the Bank's deployment of key tasks such as comprehensive marketing reform, "compliance construction year" and digital transformation, the Bank speeded up the construction of key teams and talent cultivation, continuously strengthened its cadre echelon construction, vigorously promoted education and training in a solid and practical manner, carried out new measures and made new achievements. The Bank has promoted more than 500 training projects, covering more than 95,000 trainees, and has carried out 430 online livestream training, with 120 hours of online learning per capita. During the Reporting Period, the Bank carried out in-depth comprehensive marketing training projects for its outlets, and used online and offline training methods to carry out hierarchical and classified special training for various positions of outlets. The Bank held three seminars for senior staff in universities around the theme of "Digital Leadership, Digital Transformation of Commercial Banks, Compliance Management and Business Innovation", which empowered and supported the high-quality development of the business. Besides, the Bank organized training projects for the enhancement of professional capacity of employees in key positions in various ways, including internal training, external training and job-transfer training, covering topics such as Party affairs, disciplinary inspection and supervision, internal audit, risk management, credit approval, product managers, financial technology, human resources management, financial management, office management and procurement management. Among them, 17 sessions of finance-related training and 14 sessions of internal audit training were conducted, mainly to enhance the quality of the staff team, so as to provide organizational assurance and talent support to promote the quality ultra-convention development of the Bank.

CORPORATE GOVERNANCE REPORT

I. CORPORATE STRUCTURE

The Group's organisation chart as of the Latest Practicable Date:



II. CORPORATE GOVERNANCE OVERVIEW

During the Reporting Period, the Bank continued to improve the standardization of corporate governance and ensured to reach the corporate governance level of listed companies, so as to protect the rights and interests of stakeholders and enhance corporate value.

During the Reporting Period, the Bank has strictly complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and has also complied with most of the recommended best practices contained therein. The Bank has also strictly complied with relevant laws and regulations and the Listing Rules and other provisions on inside information management. There is no significant difference between the Bank's corporate governance status and the requirements of the Company Law and the relevant provisions of the State Administration of Financial Supervision and the Hong Kong Stock Exchange.

The Bank will continue to review and strengthen its corporate governance to ensure that its corporate governance continues to comply with the provisions of the Corporate Governance Code and meet the higher expectations of shareholders and investors.

CORPORATE GOVERNANCE REPORT

III. SHAREHOLDERS' GENERAL MEETING

(I) Duties of the Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Bank. Pursuant to the Articles of Association, it shall exercise the following powers in accordance with the laws: to decide on business policies and investment plans of the Bank; to elect and change of directors and supervisors who are non-employee representatives and to determine the remunerations of relevant directors and supervisors; to consider and approve reports prepared by the Board of Directors; to consider and approve reports prepared by the Board of Supervisors; to consider and approve annual budgets, final accounts, balance sheet, profit and loss and other financial reports of the Bank; to consider and approve profit distribution plans and plans for making up for losses of the Bank; to adopt resolutions concerning the increase and reduction of the registered capital of the Bank; to resolve the issuance of bonds and other securities of the Bank and the listing thereof; to adopt resolutions on the merger, division, dissolution, liquidation(including voluntary liquidation) and change of the form of the Bank; to amend the Articles of Association; to resolve the appointment, reappointment or removal of the accounting firm and their remuneration which conducts regular statutory audits of the Bank's financial reports; to consider the matters of single acquisition and disposal of significant assets (including but not limited to equity, fixed assets and other assets), or the matters of which guaranteed amount exceeds ten percent of the audited net assets of the Bank in the latest period; to consider and approve any proposals submitted by any shareholder individually or collectively holdings more than three percent of the total voting shares of the Bank (including holders of preference shares with their voting rights restored); to decide on the issuance of preference shares, decide or authorize the Board of Directors to decide, any matters in relation to the preference shares issued by the Bank; to consider and approve the rules of procedure of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; to consider and approve the equity incentive scheme; to adopt resolutions on the acquisition of shares of the Bank in accordance with the laws; to consider and approve any other matters required by the laws, administrative regulations, regulatory provisions and the Articles of Association to be approved by shareholder's general meetings.

(II) Shareholders' Rights

1. Convening EGM

Pursuant to the Articles of Association, shareholders' request to convene an extraordinary general meeting ("EGM") or a class meeting of shareholders shall be submitted to the Board of Directors in writing and handled in accordance with the following procedures:

Shareholder(s) (including holders of preference shares with their voting rights restored) who individually or jointly hold more than 10% of the voting shares in total at the proposed meeting may sign one or more written requests in the same format and content to request the Board of Directors to convene an EGM or a class meeting of shareholders and describe the topics of the meeting. The aforesaid number of shares held shall be calculated according to the date when the shareholders submit a written request. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association of the Bank, give a written feedback on whether to agree or disagree to convene the EGM or the class meeting of shareholders within ten days after receiving the request.

CORPORATE GOVERNANCE REPORT

If the Board of Directors agrees to convene the EGM or the class meeting of shareholders, it shall issue a notice of convening such meeting within five days after the Board of Directors' resolution is made. Any change to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Directors does not agree to convene the EGM or the class meeting of shareholders, or does not give feedback within 10 days after receiving the request, the shareholder(s) individually or collectively holding more than 10% of the voting shares at the proposed meeting (including holders of preference shares with their voting rights restored) shall be entitled to propose to the Board of Supervisors to convene the EGM or the class meeting, and shall submit a request to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene the EGM or the class meeting of shareholders, it shall send a notice of convening such meeting within five days after receiving the request. Any change to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to send the notice of the EGM or the class meeting of shareholders within the prescribed time limit, it shall be deemed that the Board of Supervisors does not convene and preside over such meeting, and after more than 90 consecutive days later, the shareholder(s) individually or collectively holding more than 10% of the voting shares at the proposed meeting (including holders of preference shares with their voting rights restored) for may voluntarily convene and preside over a meeting.

When convening the general meeting, the Bank shall fully protect the legitimate rights and interests of all shareholders attending the meeting. During the general meeting, the Bank shall set up Q&A session for shareholders to earnestly answer shareholders' questions and promote effective deliberation and decision-making.

2. *Putting forward Proposals to the General Meeting of the Bank*

Pursuant to the Articles of Association, when the Bank holds a general meeting of shareholders, the Board of Directors, the Board of Supervisors and the shareholder(s) (including holders of preference shares with their voting rights restored) individually or collectively holding more than 3% of the total number of voting shares of the Bank shall be entitled to submit proposals to the Bank in writing. The Bank shall include the matters in the proposal within the scope of responsibilities of the general meeting of shareholders on the topics of the meeting.

The shareholders (including holders of preference shares with their voting rights restored) individually or collectively holding more than 3% of the total number of voting shares of the Bank may put forward interim proposals and submit them to the convener in writing ten days before the convening of the general meeting of shareholders. The convener shall, within two days after receiving the proposals, issue a supplemental notice of the general meeting and announce the contents of the interim proposals. If there are other provisions in the listing rules of the place where the Bank's securities are listed, they shall be met at the same time.

CORPORATE GOVERNANCE REPORT

3. Shareholder Communication Policy

The purpose of the Bank's shareholder communication policy is to ensure that the Bank publicly discloses its latest operation and management through different media and channels through an effective communication mechanism, strengthen the communication between shareholders and stakeholders and the Bank, solicit and understand the suggestions and opinions of shareholders, and review the implementation of communication policy. The Bank encourages shareholders to attend the general meeting of shareholders, and shareholders who are unable to attend may entrust their proxies to vote. The general meeting of shareholders will appropriately arrange directors, supervisors, senior management and external auditors to attend the meeting, especially the chairman of each committee under the Board of Directors (if the relevant chairman fails to attend, another member will be invited to attend), to respond to shareholders' questions. At the same time, the Bank has set up an "Investor Relations" column on its official website to promptly disclose announcements, periodic reports and investor relations-related information of listed companies for investors' reference. The Bank also strengthens its communication with shareholders and stakeholders through offline means such as investor research receptions and roadshows, as well as online means such as investor hotlines and investor relations email replies.

The Bank attaches great importance to communicate with all stakeholders, including shareholders, and reviews and discusses the Bank's communication policy, communication mechanism and the implementation with shareholders in the Corporate Social Responsibility Report and the Board of Directors' Report every year, and continuously strives to strengthen close ties with all stakeholders, including shareholders. In 2023, the Bank has established effective communication channels with shareholders. The Bank will publish the corporate communications in electronic form unless shareholders request a printed copy.

4. Shareholder Inquiry and Contact

The shareholders of the Bank may also make inquiries, suggestions or opinions to the Bank through the following ways:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Tel: +85228628555
Fax: +85228650990

If shareholders and investors have any inquiries about their Domestic Shares held, such as share transfer and pledge, change of address and report of lost share certificates, please write to the following address:

Office of the Board of Directors of the Bank
No. 1, Huaxia Road, Tianhe District, Guangzhou, China
Tel: (8620)28019324
Fax: (8620)22389227
E-mail: ir@grcbank.com

(III) Convening of the General Meeting of the Bank

In 2023, the Bank convened one general meeting, with the details as follows:

1. *2022 annual general meeting, the first domestic shareholders class meeting of 2023 and the first H shareholders class meeting of 2023*

On 20 June 2023, the Bank convened the 2022 annual general meeting, the first domestic shareholders class meeting of 2023 and the first H shareholders class meeting of 2023 in Guangzhou, Guangdong Province, a total of 147 shareholders (including proxies) attended the meetings, and the ten directors of the third session of the Board of Directors of the Bank including executive director, Mr. Cai Jian, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, and non-executive directors, Mr. Da Hengcheng, Mr. Zhang Junzhou, Mr. Feng Yaoliang and Mr. Lai Zhiguang attended the above meetings.

The resolutions were considered and approved at the 2022 annual general meeting, including the Resolution on Consideration of the 2022 Work Report of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Work Report of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of election of Directors of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Annual Financial Accounts of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Report on Sannong Financial Services of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2023 Financial Budget Report of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Estimated Caps of Material Related Party Transactions with major shareholders of Guangzhou Rural Commercial Bank Co., Ltd. in 2023, Resolution on Consideration of the Engagement of the Accounting Firm to Undertake the Group's Audit Business in 2023 and the Bank's Interim Review Business in 2023, Resolution on Consideration of Amendments to the Rules of Procedure of the General Meeting of Shareholders of Guangzhou Rural Commercial Bank Co., Ltd. (2023 revised), Resolution on Consideration of the 2023 Work Measures for High-quality Development of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Private Placement of Domestic Shares by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Non-public Issuance of Foreign Overseas Listed Shares (H Shares) by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of Submitting to the General Meeting of Shareholders to Authorize the Board of Directors and its Authorized Persons to Deal with Matters Related to Private Placement of Domestic Shares and Non-public Issuance of Foreign Shares (H Shares), Resolution on the Changing the Registered Capital of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Issuance of Undated Capital Bonds by Guangzhou Rural Commercial Bank Co., Ltd. and Resolution on Consideration of the Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (2023 revised).

CORPORATE GOVERNANCE REPORT

The resolutions were considered and approved at the first domestic shareholders class meeting of 2023, including Resolution on Consideration of the Private Placement of Domestic Shares by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Non-public Issuance of Foreign Overseas Listed Shares (H Shares) by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of Submitting to the General Meeting of Shareholders to Authorize the Board of Directors and its Authorized Persons to Deal with Matters Related to Private Placement of Domestic Shares and Non-public Issuance of Foreign Shares (H Shares) and Resolution on Consideration of the Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (2023 revised).

The resolutions were considered and approved at the first H shareholders class meeting of 2023, including Resolution on Consideration of the Private Placement of Domestic Shares by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Non-public Issuance of Foreign Overseas Listed Shares (H Shares) by Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of Submitting to the General Meeting of Shareholders to Authorize the Board of Directors and its Authorized Persons to Deal with Matters Related to Private Placement of Domestic Shares and Non-public Issuance of Foreign Shares (H Shares) and Resolution on Consideration of the Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (2023 revised).

The Bank's PRC legal adviser, Guangdong J&J Law Firm, witnessed these general meetings and issued a legal opinion: it is of the view that the convening of these general meetings was in compliance with the corresponding legal procedures. The notice, convening and voting process of the meetings are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Listing Rules; the qualifications of the attendants and the convener are lawful and valid; and the voting procedure and results are lawful and valid. For relevant details of the resolutions, please refer to the announcement of the poll results of the 2022 annual general meeting, the first domestic shareholders class meeting of 2023 and the first H shareholders class meeting of 2023 dated 20 June 2023 published on the websites of the Hong Kong Stock Exchange and the Bank.

IV. BOARD OF DIRECTORS

(I) Board Composition

As of the Latest Practicable Date, the third session of the Board of Directors consisted of 14 Directors, including one executive Director, namely Mr. Cai Jian (Party Secretary, Chairman and executive Director); eight non-executive Directors, namely Mr. Liu Wensheng, Mr. Wang Xiaobin, Mr. Zuo Liang, Mr. Da Hengcheng, Mr. Zhang Junzhou, Mr. Meng Sen, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive Directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Zhang Weiguo, Mr. Zhang Hua and Mr. Ma Hok Ming. For changes of the Directors, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this Report.

Each term of office of a Director (including non-executive Directors) of the Bank is three years and he/she may serve consecutive terms if re-elected. Upon expiry of the office term of three years, an independent non-executive Director of the Bank shall be eligible for re-election and re-appointment as independent non-executive Director of the Bank. An independent non-executive Director shall serve in the Bank for no more than a cumulative period of six years.

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

(II) Duties of the Board

The Board of Directors is responsible for formulating the management system and monitoring the Group's business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group's governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Rights Protection Committee. The details of the above committees are set out in this Report.

Pursuant to the Articles of Association, the Board of Directors of the Bank assumes the ultimate responsibility for the Bank's operations and management and exercises the following duties and powers according to law: to convene shareholders' general meetings and report its work to the shareholders' general meetings; to implement the resolutions of the shareholders' general meetings; to formulate the development strategy of the Bank and supervise the implementation of the strategy; to decide on the business plans and investment plans of the Bank; to prepare the annual financial budgets and final accounts of the Bank; to prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank; to formulate the capital planning of the Bank and take ultimate responsibility for capital and solvency management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing and assume primary responsibility for the Bank's capital management; to prepare plans for the Bank's material acquisitions, acquisitions of the Bank's shares, or merger, division, dissolution and alteration of corporate form of the Bank; to consider and approve the Bank's external investments, purchase of assets, disposal and write-off of assets, pledge of assets, related party transactions, data governance, external donations, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank in accordance with laws, regulations, regulatory provisions and the Articles of Association, except for material matters regulated in the Articles of Association of the Bank, which shall be decided by the shareholders' general meeting; to take ultimate responsibility for the management of related party transactions; the Board of Directors shall make a special report on the overall situation of related party transactions to the shareholders' general meeting every year and submit it to CBIRC or its dispatched offices; to decide on the establishment of internal management structure of the Bank; as proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the secretary to the Board of Directors, the auditor and their remuneration, rewards and punishments based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management personnel as determined by the Board of Directors and the supervision and management institutions, and their remuneration, rewards and punishments based on the proposals of the president; to formulate the basic management system of the Bank; to formulate the Bank's risk tolerance, risk management and internal control policies, and assume ultimate responsibility for overall risk management; to take the ultimate responsibility for the compliance of the Bank's

CORPORATE GOVERNANCE REPORT

business activities; to prepare any amendment proposals to the Articles of Association of the Bank; to formulate the rules of procedure of the shareholders' general meeting, the rules of procedure of the Board of Directors and the modification plan, and examine and approve the working rules of the special committees of the Board of Directors; be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank; to determine the job responsibilities for management, including the President, the Vice President, the assistant to president, the secretary to the Board of Directors, the auditors and the business directors; to monitor the performance of senior management; to listen the work report from the President and inspect the work of the President; the Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules, establish corresponding measures; the Board of Directors shall establish an information reporting system, requiring the senior management to report regularly to the Board of Directors and the Directors on the operation and management of the Bank; to evaluate and refine the corporate governance of the Bank on a regular basis; to protect the legitimate interests of financial consumers and other stakeholders; to assume the management responsibilities of shareholders' affairs; to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; to assume the management responsibilities promised by the substantial shareholders; to take the ultimate responsibility for the formulation and updating of recovery plan and disposal plan proposals; to take the ultimate responsibility for management of business continuity, response management of emergency, risk management of reputation, risk management of internet loan, anti-money laundering and antiterrorist financing, consumer rights protection, data governance, etc.; to assume the responsibility for determining the green credit development strategy; to take the ultimate responsibility for remuneration management; to propose to the shareholders' general meeting the appointment, reappointment or removal of accounting firm that conducts regular statutory audit of the financial reports of the Bank; to assume the responsibility for establishing and improving the Directors' performance records; to take the responsibility for formulating the professional norms and value standards to be followed by the Board of Directors and the senior management; to draw up an equity incentive plan; to take the responsibility for ensuring that the Bank has established and implemented an adequate and effective internal control system and that the Bank operates prudently within the legal and policy framework; to take the ultimate responsibility for the establishment, operation and maintenance of the internal audit system, as well as the independence and effectiveness of the internal audit; to take the responsibility for fulfilling corporate governance responsibilities, making strategic decisions related to the environment, and effectively governing and overseeing ESG issues; and to exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for performing corporate governance. It has defined the Bank's corporate governance policy and has formulated the rules of procedure of the Board of Directors and the special committees. As of the end of 2023, the Board of Directors continued to review the Bank's corporate governance policies and regular rules and made recommendations to the Board of Directors for continuous improvement and enhancement. The Board of Directors continued to pay attention to the training and continuous professional development of directors and senior management officers, and continuously enhanced the comprehensive quality of key management officers; the Board of Directors paid continuous attention to the Bank's compliance with laws and regulations, regulatory rules, and regularly received reports on risk management and compliance management and examined the relevant situation; the Board of Directors kept motivating the employees and directors of the Bank to strengthen their compliance with the code of professional ethics as required by laws and regulations, regulatory rules, the Bank's Articles of Association and internal management system; the Board of Directors paid continuous attention to and discusses the Bank's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report, etc. In general, the Board of Directors of the Bank has performed its corporate governance as set out in the Corporate Governance Code during the Reporting Period.

(III) Procedures for Electing and Appointing Board Members

In accordance with the Articles of Association, Directors are elected or changed by the shareholders' general meeting, and serve a 3-year term of office. Directors may serve consecutive terms if re-elected. For a Director, the term of office starts from the date of approval by the banking regulator under the State Council and ends when the session of the Board expires. The shareholders' general meeting shall not dismiss any Director for no reason before the expiration of his or her term of office.

If a Director's term expires but no new Director is elected in time, the original Director shall still perform his or her duties in accordance with laws, regulations, regulatory requirements and the Bank's Articles of Association of the Bank before the new Director takes office.

Directors can also be the President or other senior management officers. However, Directors that are also senior management officers and directors that are employees representatives shall not represent more than half of the total number of the Directors of the Bank, and the number of Directors that are senior management shall not be less than two.

Board members can include employee representatives of the Bank. After elected by the employee congress, Directors that are employee representatives will directly enter the Board, and the Board will report that to the shareholders' general meeting.

The proportion of Directors and independent non-executive Directors, who have a global vision, rich management experience and expertise in finance, accounting, risk management, financial management and fintech, can be properly increased on the Board.

CORPORATE GOVERNANCE REPORT

After a Director is elected and approved by the banking regulator of the State Council, the Bank shall sign an appointment contract with the elected Director in time, which, in accordance with laws, regulations and the Articles of Association of the Bank, shall clearly specify the rights and obligations of the Bank and the Director, the Director's term and liability for violating laws, regulations or the Articles of Association of the Bank, as well as the compensation made by the Bank for canceling the said appointment contract ahead of time for some reason.

(IV) Operation of the Board of Directors

The Board of Directors convenes regular meetings, generally no fewer than four times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for Board meetings is drafted upon regular consultation with each Director. Regular meetings are usually circulated to all Directors and supervisors at least 14 days in advance of board meetings. All Directors keep contact with the office of Board of Directors, to ensure compliance with board procedures and all applicable rules.

Detailed minutes of meetings of the Board of Directors are maintained and are available to all participating Directors for their review and comments after the conclusion of such meeting. The finalized minutes of meetings of the Board of Directors will be sent to all Directors as soon as possible. The minutes of meetings of the Board of Directors are kept according to the file management regulations of the Bank and are available for inspection by Directors at any time.

A sound communication and reporting mechanism has been established among the Board of Directors, Directors and senior management of the Bank. The senior management and its members of the Bank report to and are supervised by the Board of Directors. Relevant members of senior management are invited to meetings of the Board of Directors from time to time to provide explanations or answers to inquiries.

Directors can express their opinions freely at meetings of the Board of Directors, and major decisions are made after detailed discussions. A Director shall abstain from discussion and voting at a meeting of the Board of Directors on any proposal in which he is materially interested, and shall not be counted in the quorum for such proposal.

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

(V) Chairman and President

The roles and duties of the Chairman and the President of the Bank are performed by different persons, and their respective duties are clearly defined and in compliance with the requirements of Corporate Governance Code. Mr. Cai Jian was the Chairman of the Bank and exercised the duties of presiding over the general meetings and convening and chairing the Board meetings, supervising and checking the implementation of the Board resolutions. To assist the Board in discussing all important and relevant matters at proper times, the Chairman communicates fully with the senior management to ensure that the Directors receive appropriate, complete and accurate information in time for their consideration and decision making and the Board runs effectively.

By means like visits and talks, phone communication, written consultation and investor hotline, the Chairman maintained active and effective contact with shareholders, carefully listened to shareholders' opinions and suggestions about the Bank's operation and management, and conveyed shareholders' opinions to the Board of Directors in appropriate ways, to increase effective communication between the Board of the Directors and stakeholders including shareholders.

Through meetings, face-to-face talks and written discussions, the Chairman actively increased communication with independent non-executive Directors. By consulting the information and data provided by the Bank on a regular or irregular basis and through other independent and objective external channels, independent non-executive Directors can learn about the external economic and financial environment which the Bank relies on for development and market comments on the Bank. Also, they can maintain close and effective communication with the Chairman of the Bank on matters they are concerned about by multiple means, and contribute to the Bank's high-quality development by giving positive opinions and suggestions.

During the Reporting Period, Ms. Deng Xiaoyun was appointed as the President of the Bank on 10 November 2023 upon consideration and approval by the Board of Directors, and her qualification for the position was approved by the regulatory authorities on 23 November 2023, performing duties of presiding over the management of the Company, executing the strategic plan of the Company and reporting to the Board of Directors. Mr. Yi Xuefei resigned as the President of the Bank on 20 February 2023.

CORPORATE GOVERNANCE REPORT

(VI) Board Meetings

During the Reporting Period, the third session of the Board of Directors of the Bank convened 14 meetings (including written resolution meetings) in total, including 13 on-site meetings and 1 written resolution meeting, at which 100 proposals were considered and approved on matters mainly including the 2022 Annual Report and the 2023 Interim Report.

The list of Directors participated in the meetings during 2023 is as follows:

Director	Board of Directors ¹	Strategy and Investment Committee (Sannong Committee) ⁽¹⁾	Related Party Transactions and Risk Management Committee ⁽¹⁾	Audit Committee ⁽¹⁾	Consumer Rights Protection Committee ⁽¹⁾	Nomination and Remuneration Committee ⁽¹⁾
Cai Jian	14/14	6/6	-	-	-	-
Liao Wenyi	14/14	-	14/14	2/2	-	8/8
Du Jinmin	14/14	6/6	14/14	2/2	-	-
Zhang Weiguo	14/14	-	14/14	-	-	8/8
Zhang Hua	14/14	-	14/14	-	5/5	8/8
Ma Hok Ming	14/14	-	-	2/2	-	8/8
Liu Wensheng ⁽²⁾	4/14	-	-	-	-	-
Wang Xiaobin ⁽³⁾	3/14	-	-	-	-	-
Zuo Liang	14/14	6/6	-	-	5/5	-
Da Hengcheng	14/14	6/6	-	-	5/5	-
Zhang Junzhou	14/14	6/6	-	-	5/5	-
Meng Sen ⁽⁴⁾	4/14	-	-	-	-	-
Feng Yaoliang	14/14	6/6	-	-	-	8/8
Lai Zhiguang	14/14	-	-	-	5/5	8/8
Yi Xuefei ⁽⁵⁾	0/14	0/6	-	-	0/5	-
Tan Jinsong	14/14	6/6	14/14	2/2	-	-
Feng Kaiyun ⁽⁶⁾	6/14	3/6	-	1/2	-	-
Zhuang Yuemin ⁽⁷⁾	0/14	0/6	0/14	0/2	-	-

Notes:

- (1) Directors who did not attend in person but entrusted other directors to attend the meetings on their behalf, and Directors who abstained from voting on related party transactions, were deemed to attend the meetings.
- (2) The qualification of Mr. Liu Wensheng as the non-executive Director of the third session of the Board of Directors was approved by regulatory authority on 15 September 2023. Therefore, he participated in four Board meetings during the Reporting Period.
- (3) The qualification of Mr. Wang Xiaobin as the non-executive Director of the third session of the Board of Directors was approved by regulatory authority on 30 October 2023. Therefore, he participated in three Board meetings during the Reporting Period.

CORPORATE GOVERNANCE REPORT

- (4) The qualification of Mr. Meng Sen as the non-executive Director of the third session of the Board of Directors was approved by regulatory authority on 15 September 2023. Therefore, he participated in four Board meetings during the Reporting Period.
- (5) On 20 February 2023, Mr. Yi Xuefei resigned as an executive director, vice chairman, a member of the Strategy and Investment Committee (Sannong Committee), and a member and the chairman of the Consumer Rights Protection Committee of the third session of the Board of Directors of the Bank, due to the exceeding of his term of office as the President under the regulatory requirements. Therefore, he did not participate in Board meetings, meetings of the Strategy and Investment Committee (Sannong Committee) and meetings of the Consumer Rights Protection Committee during the Reporting Period.
- (6) On 13 July 2023, Ms. Feng Kaiyun resigned as the non-executive Director of the third session of the Board of Directors, member of the Strategy and Investment Committee (Sannong Committee) and member of the Audit Committee under the Board of Directors because she reached the retirement age. Therefore, she participated in six Board meetings, three meetings of the Strategy and Investment Committee (Sannong Committee) and one meeting of the Audit Committee during the Reporting Period.
- (7) On 2 February 2023, Mr. Zhuang Yuemin resigned as a non-executive director, a member of the Strategy and Investment Committee (Sannong Committee), a member of the Related Party Transactions and Risk Management Committee, and a member of the Audit Committee of the third session of the Board of Directors as he needs to devote more time to other personal commitments. Therefore, he did not participate in Board meetings, meetings of the Strategy and Investment Committee (Sannong Committee), meetings of the Related Party Transactions and Risk Management and meetings of the Audit Committee during the Reporting Period.

(VII) Diversification Policies of the Board of Directors

The Bank believes that a diversified Board of Directors will be beneficial to enhance the Bank's performance. The Bank considers the increasing diversification at the level of Board of Directors as a key factor in achieving sustainable development, supporting its achievement of strategic objectives and maintaining good corporate governance. The Bank regards ensuring that the Board of Directors includes at least one female member as one of the objectives of effectively practicing the diversification policy of the Board of Directors.

In setting the composition of the Board of Directors, the Bank will consider the diversification of members of the Board of Directors from various aspects, including but not limited to, gender, area and industry experience, skills, knowledge and educational background. All appointments to the Board of Directors shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board of Directors when considering the candidates. As of the end of 2023, the Board of Directors of the Bank consisted of 15 members, who featured specialized and rich experience in finance, legal affairs, accounting, economy or business management and diversified background. During the Reporting Period, the Board of Directors included one female member (Ms. Feng Kaiyun). The Bank is working on the replenishment of the Board of Directors through appropriate means and channels and is committed to including at least one female member on the Board of Directors.

CORPORATE GOVERNANCE REPORT

The Nomination and Remuneration Committee earnestly implements the policies for nominating Directors, as well as the nomination procedures and screening and recommendation standards for Director candidates of the Bank, and will review the policy in due time to ensure its effectiveness in performance. The Nomination and Remuneration Committee will discuss any possible amendments needed, and offer the advice on amendments to the Board of Directors for its consideration and approval.

As of the end of the Reporting Period, the ratio of male to female employees of the Bank was 1.17: 1.00, and the ration of gender remained at a reasonable and stable level. The Bank values gender diversity and is committed to creating a fair and friendly work environment for female employees in terms of promotion, salary and benefits, and employee care. We fully respect the suggestions and opinions of female employees and ensure that gender diversity has a positive impact on the bank's business development.

(VIII) Continuous Professional Development Program for Directors

During the Reporting Period, the Strategy and Investment Committee (Sannong Committee) of the Board of Directors held seminars on the topics of agriculture, farmer and rural areas in Dalian, Liaoning Province and Qingdao, Shandong Province, in order to understand the economic development of the villages in recent years and future plans for the development of villager communities, and conducted independent, objective and professional discussions on the implementation of the Rural Revitalization Strategy, the improvement of rural financial services, the development of agricultural enterprises and the channels of wealth appreciation for villagers.

The Bank pays attention to the continuous training of the Directors to ensure that all Directors have an understanding of the Bank's operations and businesses and ensure that they understand their duties and responsibilities conferred by the National Financial Regulatory Administration, the CSRC, HKEX, the Articles of Association of the Bank and relevant laws, regulatory requirements and important corporate governance systems. During the Reporting Period, members of the Board of Directors participated in the trainings on the "Interpretation of Measures for Classification on the Risks of Financial Assets for Commercial Banks" (《<商業銀行金融資產風險分類辦法>解讀》), "Anti-Money Laundering Training: Preventing Illegal Financing of Predicate Offenses of Money Laundering" (《反洗錢專題培訓：防範洗錢上游犯罪之“非法集資”》), "Guangzhou Rural Commercial Bank's Year of Compliance Building by Practicing Compliance from its Beginning" (《廣州農村商業銀行“合規建設年”以微知著踐行合規》), "Improvement of Duty Performance Abilities for Directors, Supervisors and Senior Management" and "Specialized Training on Integrity in Practice – Main Contents of the Disciplinary Regulations of the Communist Party of China and Integrity Warning Cases" (《廉潔從業專題培訓——<中國共產黨紀律處分條例>主要內容及廉潔警示案例》), etc. while newly appointed directors received proper training on the performance of duty. These efforts have broadened the Board of Directors' visions in macro-level decision-making, enhanced their ability to interpret major policies and make decisions on material matters, and continuously consolidated the intellectual capital of the Board of Directors.

(IX) Independent Views and Input from the Board

With the information reporting system in place, Board members can obtain independent views and opinions through regular communication channels (monthly information reports and relevant newsletters) or irregular communication channels (face-to-face talks, teleconferences and work reports), and thus make better-informed decisions in a scientific and prudent manner. The Board of Directors considers that this mechanism is effective and will review the implementation and effectiveness of the mechanism every year to ensure its effective implementation.

(X) Performance of Independent Non-executive Directors

During the Reporting Period, the Bank had six independent non-executive Directors. With rich experience and outstanding professional abilities, the independent non-executive Directors serve as a major force driving the high-quality corporate governance of the Bank. They take active part in various governance activities and perform their duty and exercise their power prudently. The Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee and Audit Committee of the Bank are all chaired by independent non-executive Directors. In daily work, the independent non-executive Directors actively participated in Board meetings and meetings of its special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as joining field trips, special investigations and training sessions.

During the Reporting Period, the independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, director nomination, senior management appointment, engagement of auditors, and major related party transactions. The independent non-executive Directors also considered that the related party transactions of the Bank, particularly major ones, were conducted in strict compliance with domestic and overseas laws and regulations, regulatory rules and relevant systems of the Bank, and relevant transactions were conducted in the usual business of the Bank on fair and reasonable terms in accordance with normal commercial terms or better terms, and are not prejudicial to the interests of the Bank and its shareholders. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management of the Bank, which has provided a strong support for the scientific decision-making process of the Board of Directors.

(XI) Directors' Duties in Preparing Financial Statements

The Directors of the Bank acknowledge that they are responsible for the preparation of the financial statements of the Bank for the year ended 31 December 2023.

The Directors of the Bank are responsible for reviewing and confirming the financial statements for each accounting period so that the financial statements give a true and fair view of the financial position, operating results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2023, the Directors of the Bank have selected and applied applicable accounting policies and have made prudent and reasonable judgments.

CORPORATE GOVERNANCE REPORT

(XII) Special Committees of the Board of Directors

The Board of Directors of the Bank established five special committees in accordance with relevant laws and regulations, the Articles of Association and relevant requirements under the Listing Rules, namely, the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee.

During the Reporting Period, the special committees of the Board of Directors of the Bank exercised their duties in an independent, regulated and effective manner in accordance with the laws, which effectively enhanced the corporate governance of the Board of Directors, improved the working efficiency and ensured the stable and healthy development of various businesses of the Bank.

1. *Strategy and Investment Committee (Sannong Committee)*

As of the Latest Practicable Date, the Strategy and Investment Committee (Sannong Committee) of the Bank consisted of six Directors. Its chairman was Mr. Cai Jian, executive Director. The members included an independent non-executive Director Mr. Du Jinmin, and non-executive Directors Mr. Zuo Liang, Mr. Da Hengcheng, Mr. Zhang Junzhou and Mr. Feng Yaoliang.

The key terms of reference of the Strategy and Investment Committee (Sannong Committee) included: formulating the long-term development strategy and medium and long-term development outlines of the Bank, and making recommendations to the Board of Directors; formulating the development strategies for Sannong financial services, green credit and financial innovation, and promoting the establishment of relevant work mechanisms; making recommendations on the adjustments of strategies in response to changes in the operation environment; supervising and assessing the implementation of strategies and making relevant recommendations; conducting research on and formulating relevant systems for external investment, making recommendations and plans for the major investment decisions of the Bank (including fixed asset investment and equity investment) and implementing group management on our subsidiaries; conducting research on and formulating relevant systems for external mergers and acquisitions, conducting research on the strategies for mergers and acquisitions and making recommendations on the implementation plan, including acquisition target, acquisition method, reorganization and consolidation; conducting research and making plans on diversified operation and development models, conducting research on and formulating organization models and management methods of the finance (group) corporation; approving major matters related to data governance as authorized by the Board of Directors; formulating and reviewing the corporate governance policies and regular rules of the Bank as authorized by the Board of Directors, and giving recommendations to the Board of Directors; reviewing the Bank's observance of the Corporate Governance Code and disclosure in the Corporate Governance Report; conducting research on and addressing other major matters concerning the strategic development of the Bank; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

CORPORATE GOVERNANCE REPORT

In 2023, the Strategy and Investment Committee (Sannong Committee) of the Bank held a total of six meetings, at which it considered and approved 22 resolutions, as well as reported 3 matters, such as the 2023 Outline for the Implementation of the 14th Five-Year Plan for Strategic Development of Guangzhou Rural Commercial Bank Co., Ltd., the 2022 Final Accounts Report of Guangzhou Rural Commercial Bank Co., Ltd. and the 2022 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd.. It also held two Sannong forums.

2. *Related Party Transactions and Risk Management Committee*

As of the Latest Practicable Date, the Related Party Transactions and Risk Management Committee of the Bank consisted of four Directors. Its chairman was Mr. Du Jinmin, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Zhang Weiguo and Mr. Zhang Hua, independent non-executive Directors.

The key terms of reference of the Related Party Transactions and Risk Management Committee included: assisting the Board of Directors in performing the duty of comprehensive risk management, and checking the results of risk management and internal control of the Bank; assisting the Board of Directors in performing the duty of managing money laundering risk, and giving professional advice on managing money laundering risk to the Board of Directors; taking charge of the management, review and risk control of related party transactions, focusing on the compliance, fairness and necessity of related party transactions, and taking the responsibility for the compliance of related party transactions; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Related Party Transactions and Risk Management Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association the Bank. It vigorously carried out the management of related party transactions, the review of important risk management matters, the building of key risk control systems and other activities, and actively assisted the Board of Directors in advancing comprehensive risk management as well as management of risks in key areas like money laundering and terrorist financing, business continuity, compliance and case prevention, to ensure the Bank consistently meets regulatory requirements on related party transactions, risk management and internal control.

In 2023, the Related Party Transactions and Risk Management Committee of the Bank held 14 meetings, at which it reviewed and approved 43 resolutions, as well as reported 8 matters, such as the 2022 Work Report and the 2023 Work Plan on Comprehensive Risk Management of Guangzhou Rural Commercial Bank Co., Ltd., the 2022 Work Report and the 2023 Work Plan on Compliance Risk Management of Guangzhou Rural Commercial Bank Co., Ltd..

CORPORATE GOVERNANCE REPORT

3. *Nomination and Remuneration Committee*

As of the Latest Practicable Date, the Nomination and Remuneration Committee of the Bank consisted of six Directors. Its chairman was Mr. Zhang Hua, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Zhang Weiguo and Mr. Ma Hok Ming, independent non-executive Directors, Mr. Feng Yaoliang and Mr. Lai Zhiguang, non-executive Directors.

The key terms of reference of the Nomination and Remuneration Committee included: setting up the selection procedures and criteria for Directors and senior management, conducting preliminary review on the qualifications and credentials of candidates for Directors and senior management and making recommendations to the Board of Directors; drafting the remuneration scheme for Directors and senior management, making recommendations to the Board of Directors on the remuneration scheme and supervising the implementation of the scheme; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Nomination and Remuneration Committee continuously focused on policies about the selection and employment of Directors and senior management as well as nomination procedures and codes for selection and recommendation, reviewed the qualifications and credentials of Directors and senior management candidates, commented on the annual performance of Directors and senior management, made suggestions on the remuneration scheme of Directors and senior management, and guided the Bank to carry out training on the performance ability of Directors, supervisors and senior management through rich and diversified work form, to effectively improve the quality and efficiency of corporate governance.

During the Reporting Period, the Nomination and Remuneration Committee carried out the change of Directors and the nomination of directors in accordance with laws and regulations, regulatory rules, the Articles of Association, the rules of procedure of the Nomination and Remuneration Committee, etc. Subject to the range of Board of Directors required by the Articles of Association, for non-independent Directors, according to the number of persons to be elected, a list of nominated candidates for Directors can be drawn up by the Nomination and Remuneration committee of the Board of Directors. Shareholders individually or jointly holding 3% or more of the total issued shares with voting rights of the Bank (including holders of preference shares with restored voting rights) may also nominate candidates for Directors to the Board of Directors. For independent Directors, the Nomination and Remuneration Committee of the Board of Directors and Shareholders individually or jointly holding more than 1% of the total issued shares with voting rights of the Bank, the Board of Directors and the Board of Supervisors may nominate candidates for independent Directors. The Nomination and Remuneration Committee of the Board of Directors conducted a preliminary review on the qualifications and credentials of candidates for Directors in accordance with laws and regulations, regulatory rules and relevant systems of the Bank, focusing on the standards of professional knowledge, experience and ability and diversified board construction, and the list of qualified candidates was submitted to the Board of Directors for consideration and approval. Candidates for Directors may perform their duties according to law after being considered and approved by the Board of Directors and the general meeting of shareholders and submitted to the regulatory authority for approval of their qualifications.

CORPORATE GOVERNANCE REPORT

In 2023, the Nomination and Remuneration Committee of the Bank held a total of eight meetings, at which it reviewed and approved 20 resolutions, as well as reported 2 matters, such as the Proposal of the Consideration and Approval of the By-election for the Adjustment of Directors of the Third Session of the Board of Guangzhou Rural Commercial Bank Co., Ltd. and the Proposal of the Consideration and Approval of Appointment of Ms. Deng Xiaoyun as the President of Guangzhou Rural Commercial Bank Co., Ltd..

4. Audit Committee

As of the Latest Practicable Date, the Audit Committee of the Bank consisted of three Directors. Its chairman was Mr. Ma Hok Ming, independent non-executive Director. The members included Mr. Liao Wenyi and Mr. Du Jinmin, independent non-executive Directors.

The key terms of reference of the Audit Committee included: reviewing the quarterly (if any), semi-annual and annual results of the Bank, and the accounting policies, financial position and financial reporting procedures of the Bank; conducting annual audit of the Bank, making recommendations on the engagement and replacement of external audit agencies, preparing analytical reports on the authenticity, completeness and accuracy of the information set out in audited financial reports and submitting the them to the Board of Directors for review and consideration; being responsible to the Board of Directors, and authorized by the Board of Directors to review important systems and reports like internal audit charters, review medium and long-term audit plans and annual audit plans, and guide, assess and comment on internal audit efforts; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Audit Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association of the Bank. It earnestly reviewed annual reports, interim reports and other important financial materials, actively reflected on the effectiveness of risk control and internal control, particularly the internal monitoring system, oversaw that the Bank exercised audit supervision according to law and regulations, and assisted the Board of Directors in monitoring audit in special areas like material business management, risk management and internal control management.

In 2023, the Audit Committee of the Bank held two meetings, at which it reviewed and approved 10 resolutions, as well as reported 2 matters, such as the 2022 Results Announcement of Guangzhou Rural Commercial Bank Co., Ltd. and the 2023 Audit Plan of Guangzhou Rural Commercial Bank Co., Ltd..

CORPORATE GOVERNANCE REPORT

5. *Consumer Rights Protection Committee*

As of the Latest Practicable Date, the Consumer Rights Protection Committee of the Bank consisted of five Directors. The members included Mr. Zhang Hua, independent non-executive Director, Mr. Zuo Liang, Mr. Da Hengcheng, Mr. Zhang Junzhou and Mr. Lai Zhiguang, non-executive Directors.

The key terms of reference of the Consumer Rights Protection Committee included: being responsible to the Board of Directors, submitting the work reports and annual reports on consumer protection to the Board of Directors, and, as authorized by the Board of Directors, carry out relevant work, discuss and decide on relevant matters, and conduct research on major issues and policies concerning consumer protection; guiding and overseeing the establishment and improvement of the management system for consumer protection, to ensure relevant policies to be aligned with corporate governance, corporate culture and operation and development strategies; overseeing the comprehensiveness, timeliness and effectiveness of the work of senior management and consumer protection departments in accordance with regulatory requirements and based on the implementation of the strategies, policies and objectives for consumer protection; regularly holding work conferences on consumer protection, reviewing the work reports by senior management and consumer protection departments and performing relevant duties; guiding the disclosure of important information about consumer protection efforts; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association the Bank. It actively guided the complaint and effective implementation of the consumer protection plan, faithfully followed regulatory opinions and rectification requirements, continued to advance the improvement of the consumer protection system, and regularly inspected the Bank's work on consumer protection to ensure all matters related to consumer protection to consistently meet regulatory requirements.

In 2023, the Consumer Rights Protection Committee of the Bank held five meetings, at which it reviewed and approved 12 resolutions such as 2022 Work Report and 2023 Work Plan on Protection of Consumers' Interests of Guangzhou Rural Commercial Bank Co., Ltd. and Management Measures on Financial Knowledge Popularization and Financial Consumer Education for Consumer Protection of Guangzhou Rural Commercial Bank Co., Ltd. (Revised in 2023).

(XIII) Execution of the Resolutions of the Shareholders' General Meetings by the Board of Directors during the Reporting Period

During the Reporting Period, the Board of Directors and its special committees loyally and diligently performed their duties on corporate governance conferred by laws, regulations, regulatory rules and the Articles of Association of the Bank. It earnestly reviewed important matters, including (but not limited to) the operation conditions, strategic development, financial results, effectiveness of risk management (including ESG related risks) and internal control and compliance (including the whistle-blowing policy and anti-corruption policy), performance of corporate governance, the effectiveness of the mechanism for the Board of Directors and Directors to gain independent views and the diversification policy for the Board of Directors, as well as other matters concerning the observance of relevant laws, regulations, regulatory policies and duties of the Board of Directors. In doing so, they continued to help the Bank maintain sound corporate governance and a momentum of steady and compliant development.

During the Reporting Period, the Board of Directors strictly executed the resolutions approved by the Shareholders' General Meetings held in 2023, and earnestly implemented various proposals reviewed and adopted by the Shareholders' General Meetings

V. THE BOARD OF SUPERVISORS

(I) Composition of Board of Supervisors

As of the Latest Practicable Date, the Board of Supervisors of the Bank consists of nine Supervisors, comprising three employee Supervisors, namely Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong; three external Supervisors, namely Mr. Han Zhenping, Mr. Shi Shuiping and Mr. Huang Tianshun; and three shareholder Supervisors, namely Mr. Chen Jianliang, Mr. Liang Bingtian and Mr. Feng Jintang.

(II) Duties of Board of Supervisors

According to the Articles of Association, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law: to supervise the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank; to make periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and form the assessment reports; to inspect and supervise the business decision, risk management and internal control of the Bank and supervise rectifications; to examine and supervise the Bank's financial affairs and the management of consolidated financial statements; to examine the regular reports of the Bank compiled by the Board of Directors and submit its opinion of examination in writing; to review the financial reports, operation reports, profit distribution plans and other financial information to be submitted by the Board of Directors to the general meetings; if any queries arise,

CORPORATE GOVERNANCE REPORT

to engage, in the name of the Bank, certified accountants and practicing auditors for assistance in the review; to be responsible for supervising money laundering risk management, and supervising the performance of duties of the Board of Directors and senior management in money laundering risk management and the rectifications, and to put forward suggestions and opinions on the Bank's money laundering risk management; to assume the ultimate responsibility for the performance evaluation of the Bank's directors and supervisors; to be responsible for establishing and improving the performance files of supervisors and the performance evaluation files of directors and supervisors; to conduct comprehensive assessment and inquires to the directors, supervisors and senior management officers on their performance of duties, to report the assessment results of the performance of duties to the general meetings, and to file the same to regulatory authorities; to conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, protection of consumers' rights and anti-money laundering and to report the same to the general meetings in accordance with the requirement; to supervise on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management officers, and to propose the remuneration (allowance) arrangement of Supervisors; to organize audits on economic responsibilities of the directors and senior management upon resignation; to review relevant audit reports in accordance with the requirements, guide and supervise the internal audit work of the Bank, and have the right to request the Board of Directors and senior management officers to provide audit-related information; to conduct investigation if any abnormality is found in the operations of the Bank; and when necessary, to engage professional organizations such as accounting firms and law firms for assistance in its work at the expense of the Bank; to supervise the selection and appointment of directors; to require corrections by directors and senior management where the behaviors of such directors and senior management harm the Bank's interests; to supervise the performance of duties of the directors and senior management, and to propose dismissal of directors and senior management who violate the laws, rules, Articles of Association of the Bank or resolutions of the general meetings; to represent the Bank to negotiate with the directors and senior management, or to bring the lawsuits against the directors and senior management according to the Company Law; to submit proposals to the general meetings; to propose the convening of extraordinary general meetings, to convene and preside over the general meetings when the Board of Directors fails to perform its responsibility of convening and presiding over the general meeting as required by the Company Law; to communicate with the banking regulatory authorities of the State Council regularly in relation to the condition of the Bank; to exercise other duties and powers which should be exercised by the Board of Supervisors as provided by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

(III) Meetings of Board of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of six meetings, at which a total of 26 resolutions of the Bank were considered and approved, including 2022 annual work report of the third session of the Board of Supervisors, 2022 annual report of the Bank, 2022 profit distribution plan, 2022 Internal Control Evaluation Report, 2022 Work Report on Comprehensive Risk Management, and 2022 Performance Assessment Report of supervisors, the Board and senior management and its members.

The following table set out the attendance of Supervisors of the Bank in 2023 at the meetings of the Board of Supervisors and the special committees thereof:

Supervisors	Board of Supervisors	Nomination Committee	Audit and supervision committee
Wang Xigui	6/6	3/3	–
He Heng	6/6	3/3	–
Lai Jiexiong	6/6	–	3/3
Han Zhenping	6/6	–	3/3
Shi Shuiping	6/6	3/3	3/3
Huang Tianshun	6/6	3/3	–
Chen Jianliang	6/6	–	3/3
Liang Bingtian	6/6	3/3	–
Feng Jintang	6/6	–	3/3

(IV) Special Committees of the Board of Supervisors

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consist of five Supervisors, whereas the Audit and Supervision Committee consist of five Supervisors, and the chairmen are all served by external Supervisors.

1. Nomination Committee

As of the Latest Practicable Date, the Nomination Committee of the Bank consisted of five Supervisors. The chairman was Mr. Shi Shuiping, external Supervisor and the members were Ms. Wang Xigui, Mr. Huang Tianshun, Mr. Liang Bingtian and Ms. He Heng.

The key terms of reference of the Nomination Committee during the Reporting Period included: studying the selection and appointment criteria and procedures for Supervisors; conducting preliminary review on the qualifications of supervisor candidates; advising the Board of Supervisors on the number and composition of the Board of Supervisors; conducting comprehensive evaluation of the performance of directors, Supervisors and senior management and reporting to the Board of Supervisors; conducting extensive search for qualified candidates of Supervisors; performing other duties as authorized by the Board of Supervisors.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Nomination Committee held three meetings, at which a total of 8 resolutions were considered and approved, including the proposal on 2022 Performance Assessment Report of supervisors, the Board and senior management and its members, the 2022 Work Report of the Nomination Committee of the Third Session of the Board of Supervisors, and the 2022 Performance Assessment Report of Chief Supervisors of Subsidiaries.

2. *Audit and Supervision Committee*

As of the Latest Practicable Date, the Audit and Supervision Committee of the Bank consisted of five Supervisors. The chairman was Mr. Han Zhenping, external Supervisor and the members were Mr. Shi Shuiping, Mr. Chen Jianliang, Mr. Feng Jintang and Mr. Lai Jiaxiong.

The key terms of reference of the Audit and Supervision Committee during the Reporting Period included: supervising the performance of duties of the Board of Directors and its members and senior management; conducting off-office audit for directors and senior management of the Bank if necessary; formulating supervision programs for financial activities of the Bank and conducting related inspections; supervising, examining or reviewing business decisions, risk management, internal control of the Bank; conducting supervision over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic planning, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, reputation risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, protection of consumers' interests and anti-money laundering and reporting the same to the general meetings in accordance with the requirements, considering relevant audit reports in accordance with the requirements, and providing guidance for the internal audit department of the Bank; supervising the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank; making periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and forming the assessment reports; performing other duties authorized by the Board of Supervisors.

During the Reporting Period, the Audit and Supervision Committee held three meetings, at which a total of 12 resolutions of the Bank were considered and approved, including the 2022 Work Report of the Audit and Supervision Committee of the Third Session of the Board of Supervisors, the 2022 Strategical Assessment Report of the Bank, and the Research Report on the Operation of Compliance Management Institutions and Mechanisms.

(V) Continuous Professional Development Program for Board of Supervisors

The Bank pays attention to the continuous training of the Supervisors. Through study, exchange and research, the Board of Supervisors strengthened the ability to perform duties. During the Reporting Period, the Board of Supervisors organized field research in various places to gain in-depth insights into the business operation of branches and subsidiaries, conducted on-site research and exchanges with peer institutions; organized members of the Board of Supervisors to participate in training courses for improving the performance capabilities for directors, supervisors and senior management, and launched training programs on anti-money laundering, compliance management and risk classification of financial assets, and strengthened the study of regulatory policies, laws and regulations and the work practices of the Board of Supervisors, so as to broaden the mindset and vision of work performance and enhance the performing duties ability of the Supervisors.

(VI) Work of External Supervisors

During the Reporting Period, the external Supervisors of the Bank performed their supervisory duties in strict accordance with relevant laws, regulations, the Bank's Articles of Association and relevant requirements for the performance of duties of Supervisors, and performed their duties diligently by receiving and reading the monthly and quarterly management information reports, newsletters, and other materials on a regular basis, so as to gain an in-depth understanding of the operation and management situation of the Bank as a whole; performed their duties diligently by taking part in the meetings of the Board of Supervisors on time, carefully studying and reviewing every proposal, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, and expressing their opinions independently and impartially. Also, they devoted sufficient time and effort to participate in relevant supervision and inspections, investigation and research and training, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards.

VI. SENIOR MANAGEMENT

(I) Composition of Senior Management

The Bank has one President, nominated by Chairman and appointed or dismissed by the Board of Directors. The Bank shall have Vice President, Assistant to President, Secretary of the Board of Directors and Business Director. Vice President, Assistant to President and Business Director shall be appointed or dismissed by the Board of Directors on the nomination of President, and Secretary of the Board shall be appointed or dismissed by the Board of Directors on the nomination of the Chairman. All the senior management officers shall meet the qualifications required by laws, regulations and banking regulatory authorities.

(II) Duties of Senior Management

The duties of the senior management mainly include: to carry out business management activities in accordance with the Articles of Association of the Bank and the authorization of the Board of Directors, and actively implement the resolutions of the general meeting of shareholders and the Board of Directors; to be responsible to the Board of Directors, and accept the supervision of the Board of Supervisors at the same time, report the company's operation and management in accordance with the requirements of the Board of Directors and the Board of Supervisors in a timely, accurate and complete

CORPORATE GOVERNANCE REPORT

manner, and provide relevant materials; to establish an information reporting system to the Board of Directors and its special committees, and the Board of Supervisors and its special committees, define the types, content, time and methods of reporting information to ensure that directors and supervisors can obtain various information in a timely, accurate and complete manner; to establish and improve various meeting systems, and formulate the corresponding rules of procedure; to assume the responsibility for implementing comprehensive risk management and perform the following responsibilities: Establish an operation and management structure suitable for comprehensive risk management, define the assignment of responsibilities of functional departments of comprehensive risk management, business departments and other departments in risk management, and establish an operation mechanism of mutual coordination and effective check and balance among departments; to establish clear execution and accountability mechanisms to ensure that risk management strategy, risk preference and risk limit are communicated fully and implemented effectively; to formulate risk limit based on the risk preference set by the Board of Directors, including but not limited to industry, region, customer, product and other dimensions; to develop risk management policies and procedures, make periodical assessments, and make adjustments when necessary; to assess overall risk and various significant risk management status, and report to the Board of Directors; to establish a complete management information system and data quality control mechanism; to monitor breaches of risk preference, risk limit and risk management policies and procedures, and handle as authorized by the Board of Directors; other responsibilities of risk management; to be responsible for developing systematic systems, procedures and methods according to the acceptable risk level determined by the Board of Directors, and take the corresponding risk control measures; to be responsible for establishing and improving the internal organizational structure to ensure the effective performance of internal control responsibilities; to be responsible for organizing monitoring and assessment of the adequacy and effectiveness of the internal control system; to be responsible for organizing capital management according to business strategy and risk preference ensure that capital is appropriate to business development and risk level, and implement various monitoring measures. The specific duties are as follows: to formulate and organize the implementation of rules and regulations on capital management; to formulate and organize the implementation of internal capital adequacy assessment procedures, define the assignment of responsibilities of related departments, establish and improve the assessment framework, process and management system; to formulate and organize the implementation of capital planning and capital adequacy management plans; to make periodical and aperiodic assessment of the capital adequacy ratio, report the level and management of the capital adequacy ratio and the results of the internal capital adequacy assessment to the Board of Directors; to organize and carry out stress tests, participate in the determination of stress test objectives, schemes and important assumptions, and promote the application of stress test results in risk assessment and capital planning; to organize the development and maintenance of the internal capital adequacy assessment information management system; to assume the management responsibility for formulating and updating recovery plan and disposal plan proposals; to be responsible for implementing the business continuity management policy approved by the Board of Directors. The main responsibilities include: to develop, and periodically review and supervise the business continuity management implementation policies and procedures; to define the business continuity management responsibilities of all departments, define the reporting route, review and approve important business recovery objectives and recovery strategies, urge all departments to perform their management responsibilities, and ensure the normal operation of the business continuity management system; to ensure that adequate resources are allocated to the implementation of business continuity management; to be responsible for implementing emergency management policy approved by the Board of Directors; to assume the responsibility of the Bank's reputational risk management; to be responsible for establishing

CORPORATE GOVERNANCE REPORT

and improving the reputation risk management system, improving the working mechanism, formulating the reputation risk response plans and handling schemes for major issues, and arranging and promoting the handling of reputation events; to conduct one reputational risk management assessment at least a year; to be responsible for implementing money laundering and terrorist financing risk management; to be responsible for promoting the construction of money laundering risk management culture; to establish and timely adjust the organizational structure of money laundering risk management, and define the assignment of responsibilities and coordination mechanism of anti-money laundering management department, business department and other departments in money laundering risk management; to formulate and adjust money laundering risk management strategy and its implementation mechanism; to review money laundering risk management policies and procedures; to report the anti-money laundering work to the Board of Directors periodically, and report major money laundering risk events to the Board of Directors and the Board of Supervisors in a timely manner; to organize the implementation of anti-money laundering information system and data governance; to organize the implementation of anti-money laundering performance assessment, and reward and punishment mechanisms; to handle the violations of the money laundering risk management policies and procedures as authorized by the Board of Directors; other relevant duties: to be responsible for determining the operation and management structure of Internet loans, and clarifying the assignment of responsibilities of each department; to develop, assess and supervise the implementation of Internet loan business planning, risk management policies and procedures, cooperative institution management policies and procedures, and cross-regional operation management policies; to formulate Internet loan business risk control indicators, including but not limited to Internet loan limit, loan limit of loan jointly funded with cooperative institutions and ratio of contributions, concentration of cooperative institutions, and non-performing loan ratio; to establish the Internet loan business risk management mechanism, continue to monitor, control and report all kinds of risks effectively, and make a time response to risk events; to fully understand and regularly assess the development of Internet loan business, risk level and management status and consumer protection, timely understand the major changes, and report to the Board of Directors regularly; Other relevant responsibilities: to formulate green credit objectives, establish mechanisms and procedures, define the responsibilities and authority, carry out internal control inspection and assessment, report the development of green credit to the Board of Directors every year, and submit relevant information to the regulator in a timely manner; to ensure the effective implementation of the strategic objectives and policies for consumer protection; to be responsible for reviewing and publishing major information disclosure concerning the protection of consumer rights and interests; to be responsible for establishing the data governance system to ensure the allocation of data governance resources, developing and implementing accountability and incentive mechanisms, establishing the data quality control mechanism to ensure the authenticity, accuracy, continuity, integrity and timeliness of data, organizing the assessment of the effectiveness and implementation of data governance, and reporting to the Board of Directors periodically; to be responsible for organizing the implementation of resolutions of the Board of Directors in compensation management; to support internal audit department to perform their duties independently and ensure the allocation of adequate internal audit resources; to report to the audit committee on the latest development and changes in business development, product innovation, operation process, risk management, internal control compliance; to take effective rectification actions in a timely manner according to the problems found by internal audit and the audit recommendations; other functions and powers that shall be exercised by the senior management according to laws, regulations and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

VII. COMPANY SECRETARIES

Ms. Zheng Ying and Mr. Ngai Wai Fung served as the joint company secretaries of the Bank. Ms. Zheng Ying is the main internal contact person of the Bank. All directors have access to the Company secretary for discussion, seeking advice and obtaining information. Ms. Zheng Ying and Mr. Ngai Wai Fung confirmed that they have received not less than 15 hours of relevant professional training during the Reporting Period.

VIII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the Reporting Period.

IX. RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

X. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to ensure that the Articles of Association of the Bank conforms to the core shareholder protection standards set out in the Listing Rules, the revision of relevant laws and regulations in Mainland China and the actual situation of the Bank, the Bank made appropriate amendments to the Articles of Association during the Reporting Period, and the amended Articles of Association were considered and approved at the 2022 annual general meeting, the first domestic shareholders class meeting of 2023 and the first H shareholders class meeting of 2023 held on 20 June 2023, and were approved by the Guangdong Bureau of the National Administration of Financial Regulation on 30 October 2023. For details of the amendments to the Articles of Association, please refer to the circular of the general meeting, the voting results of the general meeting and the announcement on the approval of the Articles of Association published on the Hong Kong Stock Exchange on 31 May, 20 June and 31 October 2023, respectively.

XI. EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

As considered and approved by the 2022 annual general meeting of the Bank, the Bank appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as the Bank’s accounting firms for 2023, which would be responsible for providing audit services for the Bank’s financial statements prepared in accordance with PRC Enterprise Accounting Standards and International Financial Reporting Standards, respectively. In addition, there have been no other changes to the auditors of the Bank in the past three years.

During the Reporting Period, the fees for the financial statements audit services which PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers provided to the Bank amounted to RMB7.50 million.

XII. RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Board of Directors assumed ultimate responsibility for overall risk management, ultimate responsibility for the compliance of the Bank's operating activities and ultimate responsibility for the independence and effectiveness of the internal audit. The Board of Directors also reviewed resolutions, heard reports on the work of senior management, and strengthened communication with internal and external auditors, to review multiple times the effectiveness of the risk management and internal control system, and timely improved the internal control through system amendments and mechanism optimization, to address possible deficiencies in internal control.

During the Reporting Period, the Board of Directors continued to pay attention to the effectiveness of the Bank's risk management and internal monitoring system and conducted timely reviews, deliberated and discussed the 2022 work report and 2023 work plan of the Bank's total risk management, the 2022 work report and 2023 work plan of the compliance risk management, the 2022 internal control assessment report and other proposals. Besides, it reviewed or listened to many special audit reports involving comprehensive risk management, related party transaction, anti-money laundering and anti-terrorist financing, market risk management, credit asset risk classification, data governance and protection of consumers' interests, and monitored and assessed the effectiveness of the Bank's risk management and internal control continuously. During the Reporting Period, the Bank set up special management departments with the functions of risk management, internal audit, internal monitoring and so on, and reported the performance and the work arrangement at the next stage to the Board of Directors every year. Meanwhile, it reported the Bank's overall risk management, business performance and financial monitoring, compliance management and internal control status to the Board of Directors on a regular basis. The Bank's risk management and internal control system aims to identify and manage relevant risks as comprehensively and effectively as possible, and to report the objective situation of risk management in a true, accurate and complete manner. In particular, in terms of the risk management, the Bank conscientiously carried out the implementation of regulatory policies and systems, accurately deployed various risk management and control measures, and persistently improved the comprehensive risk management system and the long-term mechanism for risk prevention and control, with the promoting risk management reform as the main line, the system development and risk identification as effective means and the asset quality control as the key points, to improve its risk management capability in a steady manner, strengthen the construction of internal control and compliance management, stimulate the endogenous impetus for the Bank's compliant operation, and continuously improve the level of the Bank's lawful and compliant operation and comprehensive risk management. In terms of the internal control system, the Bank has established a "multi-level, full-coverage, grid-based" supervision system that includes the discipline and inspection department, compliance and audit department and risk management department. It played an active part in that, with responsibilities being consolidated at all levels to ensure that various responsible entities performed their respective role and responsibilities, with effective checks and balances and coordinated operation. In addition, the Board of Directors and its subordinate Audit Committee, Related Transaction and Risk Management Committee, and Nomination and Remuneration Committee actively maintained close contacts with external audit intermediaries, industry regulators, discipline inspection and supervision institutions and other institutions to ensure that the Board of Directors had a dynamic grasp of the Bank's overall risk control, financial operation and compliance and internal control, and continued to review the response strategies and optimization measures and promote the Bank to maintain steady and high quality development trend. In general, the Bank's risk management and internal monitoring system maintained a stable operation trend, and the Bank's risk management and internal monitoring system are sound, effective and sufficient. For more information about the Group's risk management and internal control, please see the Management Discussion and Analysis.

CORPORATE GOVERNANCE REPORT

XIII. INFORMATION DISCLOSURE AND INSIDER INFORMATION MANAGEMENT

During the Reporting Period, in compliance with the relevant laws and regulatory requirements under the Listing Rules, the Bank initiated the disclosure of information in accordance with the law and strengthened the communication and exchange with shareholders through various channels, such as general meetings, reception of visitors and telephone communication. The Bank has established a working mechanism for insider information in conjunction with regulatory requirements and the actual situation of the Bank, strengthened the management of insider information throughout the Bank through various channels, and ensured the Bank's insider information management to continue to be in compliance with the relevant management requirements under the Listing Rules and the Insider Information Disclosure Guideline.

XIV. MANAGEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The organizational structures of consolidated management of the Bank consists of the Board of Directors, the Supervisory Committee, the senior management and relevant functional departments. The Board of Directors is responsible for formulating the overall strategic guideline of the Group's consolidated management, approving and supervising the formulation and implementation of specific implementation plans for consolidated management, and establishing a mechanism for periodic review of the Group's internal transactions as well as related evaluation mechanisms. The Supervisory Committee, as the Bank's internal supervisory body, supervises the construction and operation effectiveness of the Group's consolidated management mechanism, supervises the performance of the Board of Directors, senior management and its members of their duties in relation to consolidated management, and urges the Board of Directors to supervise the corporate governance and operation management of the Bank and its subsidiaries. The senior management is responsible for implementing each of consolidated management policies approved by the Board of Directors, formulating the Group's consolidated management system, establishing and improving the organizational structure of consolidated management, comprehensive risk management framework and internal risk isolation system, and monitoring and evaluating the comprehensiveness, adequacy and effectiveness of the Group's consolidated management system and reporting to the Board of Directors in a timely manner.

During the Reporting Period, the Bank's consolidated management organizations included Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Nanxiong Rural Commercial Bank Co., Ltd., Shaoguan Rural Commercial Bank Co., Ltd., Zhujiang Financial Leasing Co., Ltd. and 25 village banks.

XV. CORPORATE CULTURE

The Board of Directors of the Bank has formulated a corporate culture conceptual system consistent with the Bank's corporate development vision and strategic objectives, and has promoted it throughout the Bank. The Bank was committed to integrating its corporate culture into the Bank's operation and management, and has made an effort to implant the compliance culture and the risk culture into the Bank's strategic planning and the business reform process, so as to assist in the Bank's high-quality development. For a detailed discussion of the development strategies and business model to achieve the development objectives, please refer to the "Management Discussion and Analysis" and section XVI of "Corporate Governance Report" of this report.

XVI. DEVELOPMENT STRATEGY, INVESTMENT VALUE AND CORE COMPETITIVENESS

During the Reporting Period, the Bank wholeheartedly served the overall goal of high-quality development at the provincial and municipal levels, firmly adhered to the development positioning of supporting agriculture and SME, upheld the bottom line of risk and compliance, vigorously developed the "four major finance" of rural areas, industry, consumption, and wealth management to continuously promote structural transformation and development, and strengthened risk control system, optimized internal control mechanisms, deepened comprehensive marketing reform and built strong talent pool to effectively solidify the foundation of internal management.

In terms of business transformation, the Bank has continuously implemented the "1+4" strategic deployment to promote the transformation and development of various businesses with four major financial features. In terms of corporate business, the Bank vigorously promoted the research and development of products targeting specific customer segments of key industries, introduced products such as "Rural Revitalization Agricultural Loans", "Rural Revitalization Village and Community Loans", "Automotive Industry Chain Preferred Enterprise Loans", "Advanced Manufacturing Preferred Enterprise Loans" and online supply chain factoring, and strongly supported rural revitalization, real economy and green development with the innovative products as the mainstay. In terms of retail business, the Bank strengthened its customer-centric business philosophy, launched customer enhancement strategies and special activities, and continued to expand customer base in high-quality segments such as young professionals, social security recipients, employees of preferred enterprises, healthcare professionals, and teachers. Through platform scenarios, the Bank expanded the customer outreach, promoted product research and development and introduction, implemented differentiated and targeted marketing, and drove steady growth in scale while optimizing liability structure in an orderly manner. In terms of inclusive small and micro business services, the Bank implemented the "3+4+5+N" product innovation and optimization strategy, gave full play to the marketing advantages of network branches, focused on serving specialized markets and industrial parks for inclusive small and micro enterprises, and relied on featured products such as the "Housing Loan" and the "Small-Micro Loan" to open up the target market, reaching a wide range of customers and promoting business expansion through public-private collaboration.

In terms of management reform, the Bank continuously deepened the four major reforms and promoted the construction of normalized and long-lasting mechanisms. During the Reporting Period, the Bank focused on the consolidation of internal control and optimization of its talent pool, and achieved significant results in establishing credit risk management systems, managing large-scale credit access and limits, regulating regulatory systems and policies, managing employee behavior, as well as selecting and employing personnel, implementing performance-based compensation and evaluation mechanisms, and developing employee and talent cultivation systems. At the same time, the Bank, under the premise of comprehensively strengthening the leadership of the Party building, has made efforts to optimize corporate governance and information disclosure system, effectively implement capital management and capital supplementation, continuously enhance the efficiency of resource allocation, optimize technology management and organizational mechanism, vigorously promote digital transformation. These efforts continuously contributed to enhancing the quality and efficiency of its business operations.

CORPORATE GOVERNANCE REPORT

XVII. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES OF HONG KONG

During the Reporting Period, the Bank consistently complied with the principles and provisions of the Corporate Governance Code.

XVIII. OVERALL ASSESSMENT OF THE BANK'S CORPORATE GOVERNANCE

During the Reporting Period, the Bank established a “three-board and one-management” governance structure composed of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management. It standardized the governance operation mechanism in the principle of clear authorities and responsibilities and effective check and balance, improved the ability of the governance subject to perform its duties, promoted information disclosure according to laws and regulations, tried to improve the corporate governance level of listed companies, and protected the rights and interests of stakeholders and enhanced enterprise value effectively. During the Reporting Period, it continued to comply with relevant provisions of laws and regulations, regulatory rules, the Articles of Association of the Bank and other domestic and foreign systems. Generally, the Bank maintained a sound corporate governance.

REPORT OF THE BOARD OF DIRECTORS

I. PERFORMANCE OF THE BOARD OF DIRECTORS

In 2023, the Board of Directors of the Bank performed its duties and powers in strict accordance with the duties and responsibilities entrusted to it by laws, regulations, regulatory rules and Articles of Association. The main work is as follows:

(I) Adhering to the Party's leadership and consolidating the content of governance

The Board of Directors always placed the adherence to the Party's leadership into various links of corporate governance, and continued to deepen the Party's leadership and improve corporate governance. Firstly, the Party's leadership and corporate governance were deeply integrated. We continually improved the decision-making system of "Sanzhong Yida (三重一大)" and solidly carried out the activity of "Improvement of Image, Improvement of Style (改进行风、改进作风)" to continuously strengthen the enabling role of Party construction in enhancing the operation and management level of corporate governance. Secondly, the foundation of board governance remained stable. We actively and prudently promoted the diversification construction of the Board of Directors, and endeavoured to form an adjustment mechanism for members of the Board of Directors with orderly joining and departing and complementary advantages, so that the foundation of the Board of Directors' governance subject continued to be solid. Thirdly, the governance system continued to be optimised and improved. Guided by external regulatory policies and regulations, and taking corporate governance assessment as a tool, we revised and improved key governance system in accordance with laws and regulations, and strengthened the foundation of the legal and normalized governance system. Fourthly, the governance mechanism operated soundly and efficiently. Adhering to the principles of "compliance with the law, being agile and efficient", we promoted the sound operation of the governance mechanism, and constantly improved the mechanism for decision making, communication and implementation feedback between the Board of Directors and various governance units. Fifthly, the governance subject was diligent in the performance of its duties. In 2023, the Board of Directors actively strengthened close coordination with other levels of governance, effectively contributing to a good governance pattern characterized with firm leadership by the Party Committee, law-based exercise by shareholders' meetings, scientific decision making by the Board of Directors, effective supervision by the Board of Supervisors, and steady implementation by senior management.

(II) Strengthening capital construction and consolidating capital strength

The Board of Directors has always put steady operation and compliance as well as long-term sustainable capital construction as the top priority of sustainable development. Firstly, we successfully completed two capital supplements, achieving significant results in the supplement of exogenous capital. In 2023, we successfully issued RMB15 billion of tier 2 capital bonds and completed the two major tasks of increase in capital and share, thus enhancing our capital strength in a sustained and consolidated manner. Secondly, we continued to strengthen the co-ordination and management of capital assets, and established a sound, long-term, dynamic and operable capital supplement and management mechanism. Adhering to the overarching principle of seeking progress while maintaining stability and taking high-quality development as the guiding principle, we strictly implemented the requirement of "capital-light and asset-light", strengthened capital control and management, carried out refined management, and promoted the transformation of business capacity, so as to ensure that capital continues to meet the business development and regulatory requirements, and to promote the Bank's high-quality and sustainable development.

REPORT OF THE BOARD OF DIRECTORS

(III) Strengthening strategic guidance and highlighting the main responsibility and business

The Board of Directors has always insisted on the same direction and acted in concert with the national and local strategies, firmly practicing the political nature and affinity to people of financial work, promoting reform and development with extraordinary efforts, preventing financial risks with extraordinary measures, identifying the trend and direction of financial development from the major decisions and deployments of the CPC Central Committee, identifying the focus point of reform and development in the overall situation of the province and city, unswervingly taking the road of high-quality development, and supporting various work of the local economic and social development with the state-owned financial enterprises with a high sense of responsibility and a sense of mission. In 2023, the Board of Directors has led the Bank to keep abreast of the times and continued to deepen the “four major reforms” in operation and management model, comprehensive risk management, talent selection and employment, compensation and performance assessment, focused on building a competitive advantage with business outlets as the main position and small and medium-sized assets business as the core competitiveness, made targeted measures to concentrate on the attack, so as to continuously release a strong kinetic energy for operation and development. Overall, the Bank has continued to consolidate the “stable” trend of business development, accelerated the pace of reform and innovation, and significantly improved the “real” results of economic services.

(IV) Focusing on internal control supervision and making efforts in quality and efficiency of risk control

The Board of Directors always gave top priority to internal control supervision and risk control compliance, and made continued efforts to strengthen internal control, risk control and compliance management to promote the senior management to take necessary measures to implement the decisions of the Board of Directors in accordance with the law and in compliance with the regulations. Firstly, the internal control system was improved in depth. We scientifically optimized the authorized operation and management mechanism, paid close attention to the execution of the risk management system, enhanced the rectification and accountability of internal and external supervision and inspection and audit findings, and strengthened the risk management of the asset business along the entire chain to achieve unified, full-coverage and whole-process management of the asset business. Secondly, the risk management capability was comprehensively enhanced. We strictly controlled customer access, optimised review and approval, strengthened risk monitoring and early warning, implemented hierarchical and classified management, prudently formulated risk preferences, and standardized the execution of risk control to keep a firm grip on risk management and continue to strengthen our risk control and management capabilities. Thirdly, we conducted compliance management with high standards. We deeply advanced the activities of the “Compliance Construction Year”, intensified the cultivation of compliance culture, tightened the “safety valve” for compliant and clean practice, established and improved the management mechanism for rectification of problems, promoted the integrated construction of institutions, processes and systems across the Bank, and made every effort to enhance the management level of compliance and internal control. Fourthly, we vigorously promoted the solution and disposal of asset risks, and achieved good results in the activities of “Compliance Building Year” in 2023.

REPORT OF THE BOARD OF DIRECTORS

(V) Regulating the management of shareholders' equity rights and keeping in close market ties

The Board of Directors has always upheld the concept of the consistence of shareholders' equity management with regulatory requirements, and strived for the closer ties with the market. Firstly, we went further to vigorously implement the latest regulatory requirements on shareholders' equity management. We strictly implemented the new regulatory requirements, strengthened the process management, continued to optimize and improve the shareholder management system, adhered to the principle of assessment and investigation for governance improvement, performed the further monitoring of shareholders' behavior, conducted detailed equity data governance, continued to urge shareholders to perform their duties and undertake their obligations under the law, and constantly improved the capability of supervision and control of shareholder equity. Secondly, we continuously enhanced the capability of investor relationship management. We continued to broaden the channels and methods of communication with investors, carried out adequate and effective information disclosure and inside information management in compliance with laws and in a standardized manner, continued to maintain accurate, timely and clear mutual information communication with investors and the market, so as to effectively promote investors' and the market's strategic recognition of the Bank's value.

II. BUSINESS REVIEW

(I) Business Review

The Group is primarily engaged in PRC banking and related financial services, primarily including corporate banking, retail banking and financial market business. Further discussions and analyses of the business review are set out in the sections headed "Management Discussion and Analysis" and "Directors, Supervisors and Senior Management and Employees" in this report, including an overview of the major risks and uncertainties of the Group and possible future plans for the business of the Group. Such discussions also form part of this Report of the Board of Directors.

(II) Employment Relationship

As of the end of the Reporting Period, the total number of employees of the Group was 13,620. Of which, 12,999 employees entered into labor contracts with the Group, and 621 employees were dispatched workers; of which 7,122 were male employees, accounting for 52.29%, and 6,498 were female employees, accounting for 47.71%. The Bank attaches great importance to the gender diversity of its staff and fully respects the decision-making opinions of female staff. In terms of staff promotion, remuneration and benefits, care services for employees and other aspects, the Bank is committed to creating a fair and friendly career development environment for female employees, realizing gender equality of employees and ensuring that gender diversity plays a positive role in promoting its operation.

REPORT OF THE BOARD OF DIRECTORS

(III) Relationship with Customers and Suppliers

The Bank actively provided good financial services for deposit customers, loan customers and interbank customers, and strived for customers' understanding, trust and support. For loan customers, especially related-party ones, the Bank upheld the market principle and avoided special credit aid priority.

The Bank adhered to the principle of fairness, openness and impartiality, employed suppliers through open bidding, negotiation and price quotation, and maintained good communication and cooperation with various suppliers.

(IV) The Environmental Policy and Performance of the Bank

The Bank attaches significance to environmental impact of its business activities and actively promoted the innovative development of green finance business. In terms of policy formulation, the Bank has developed a special work plan for the development of green finance in 2020, and on this basis, the Bank has further formulated the Green Finance Development Plan and Implementation Program of Guangzhou Rural Commercial Banks (2023–2025) in 2023 to lead the innovative development of green finance for the Bank with the top-level design. Under strategic guidance, the Bank actively broaden our sources of funding and increase support for green and low-carbon industries. We contribute to the ecological construction of Green Guangdong and the low-carbon transformation of the industrial economy in the Greater Bay Area.

As of the end of the Reporting Period, the Bank's green credit balance was RMB43.249 billion, with an increase of RMB18.354 billion, or 73.73%, as compared with the beginning of the year, significantly higher than the growth rate of all loans.

III. PROFITS AND DIVIDENDS

(I) Dividends

The revenue for the year ended 31 December 2023 and the Bank's financial position on that date are set out in the consolidated financial Statements of this annual report.

Pursuant to the resolution passed at the 2022 Annual General Meeting held on 20 June 2023, the Bank paid a dividend of RMB0.105 per share (tax inclusive) to all shareholders for 2022, amounting to approximately RMB1.202 billion (tax inclusive). The dividend was payable to shareholders whose names appeared on the register of members after the close of market on 2 July 2023. The above dividends were denominated in Renminbi, and paid to holders of Domestic Shares in Renminbi and to holders of H-shares in Hong Kong dollars. The exchange rate for dividend paid in Hong Kong dollars was the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2022 Annual General Meeting (i.e. 20 June 2023, inclusive) as announced by the PBOC (i.e. HK\$1.00 to RMB0.91299), and the final dividend per H Share was HK\$0.11501 (tax inclusive). Such dividend was paid on 20 July 2023.

REPORT OF THE BOARD OF DIRECTORS

The Bank has not made any plan for converting the capital reserve to increase the share capital in the past three years. The cash dividend distribution for ordinary shareholders of the Bank for the past three years is as follows:

Item	2022	2021	2020
Distribution amount per share (tax inclusive, RMB)	0.105	0.105	0.2
Cash dividend (tax inclusive, RMB100 million)	12.02	12.02	19.62
Percentage of net profit attributable to the parent company (%)	29.77	37.86	38.61

(II) Tax on Dividends

According to the applicable provisions of the “Enterprise Income Tax Law of the People’s Republic of China” and the “Individual Income Tax Law of the People’s Republic of China” and its implementation rules, for the non-overseas listed shares and the holding of the Bank’s shares via Hong Kong Stock Connect, the Bank shall withhold and pay the individual income tax at the rate of 20% pursuant to the national tax law for the dividends of natural person shareholders, while corporate shareholders shall make its own declaration in accordance with the requirements of the national tax law.

Taxes on dividend of H Shares are subject to the Hong Kong tax law.

According to the Enterprise Income Tax Law and its implementation rules, both effective on 1 January 2008, and Guo Shui Han [2008] No. 897), before distribution of dividends, the Bank shall withhold and pay the enterprise income tax at the rate of 10% for non-resident enterprise shareholders (including HKSCC Nominees Limited (agent), other enterprise agents or trustees, or other organizations and groups) whose names appear on the Bank’s register of members for H Shares.

Pursuant to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay individual income tax for individual holders of H Shares.

REPORT OF THE BOARD OF DIRECTORS

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such shareholders.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such shareholders. If such shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Bank can apply on behalf of such shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2019, No. 35) and the provisions of the relevant tax treaties. The Bank shall assist with the tax refund subject to approval of the competent tax authority.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such shareholders.

If the individual holders of H shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Bank shall withhold and pay individual income tax at the rate of 20% on behalf of such shareholders.

(III) Tax Relief

1. *Non-resident shareholders*

According to the relevant provisions of the Enterprise Income Tax Law of PRC and the relevant implementing rules, the Notice of the State Administration of Taxation on Issues concerning the Withholding and Payment of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to the Shareholders of Overseas H-Share Non-resident Enterprises (Guo Shui Han [2008] No. 897), and the Notice of the State Administration of Taxation on Issuing the List of Agreed Dividend Tax Rates (Guo Shui Han [2008] No. 112), the Bank shall temporarily withhold and pay corporate income tax at the tax rate of 10% for non-resident enterprise shareholders whose names appear on the Bank's register of members for H-shares, and the actual tax rate shall be applied in accordance with the provisions of the tax agreement.

2. *Non-resident individual shareholders*

Pursuant to the Document No. 348 [2011] of the State Administration of Taxation, the Bank shall apply for the relevant tax benefits for non-resident H-share individual shareholders according to the tax agreements signed by their countries with China and the tax arrangement between the Mainland and Hong Kong (Macao).

REPORT OF THE BOARD OF DIRECTORS

- (1) For non-resident individual H-share shareholders whose countries have signed the tax rate agreements of less than 10% with China, the Bank shall apply for the relevant tax benefits under the agreement on their behalf;
- (2) For individual non-resident H-share shareholders whose countries have signed a 10% tax rate agreement with China, the Bank shall withhold and pay individual income tax at the tax rate of 10%;
- (3) For non-resident H-share individual shareholders whose countries have signed the tax rate agreement of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the agreed effective tax rate;
- (4) For non-resident H-share individual shareholders whose countries have signed no tax agreements with China or under other circumstances, the Bank shall withhold and pay individual income tax at the tax rate of 20%.

(IV) Dividend Distribution Policy

The Bank takes into account the interests of all shareholders as a whole and the sustainable development of the Bank in regard to its profit distribution, and emphasizes reasonable investment return to investors. The remaining after-tax profits of the Bank after making up losses, contributing to the statutory reserve fund and general reserve and payment of dividends of preference shareholders may be distributed based on the proportion of shares held by the shareholders according to the profit distribution plan approved by the shareholders' general meeting. The dividends on preference shares shall be paid in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the shares of the Bank are listed and the place where the preference shares are issued or the place where the shares of the Bank are listed, and the Articles of Association of the Bank.

The Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, complies with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the shareholders' general meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to adequately safeguard their legitimate rights and interests.

IV. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For details of the 2023 Annual General Meeting and closure of register of members, please see the notice of 2023 Annual General Meeting and the circular of the Bank.

V. DISTRIBUTABLE RESERVES

The movements of the Group's reserves available for distribution to shareholders are set out in "Retained earnings" in the "Consolidated Statement of Changes in Equity" of this report for the year ended 31 December 2023.

REPORT OF THE BOARD OF DIRECTORS

VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the year ended 31 December 2023 is set out in the summary of financial data in this report.

VII. DONATIONS

As of the end of the Reporting Period, the Group's total external donations amounted to approximately RMB2.10 million.

VIII. PROPERTY AND EQUIPMENT

Details of the changes in the Group's property and equipment throughout the year ended 31 December 2023 are set out in note 23 "Property and Equipment" to "the Financial Statements" in this Report.

IX. RETIREMENT BENEFITS (PENSION PLAN)

Details of the retirement benefits provided for employees of the Group are set out in "Salaries, bonuses, allowances and subsidies payable" to the "Financial Statements" of this report.

X. ULTIMATE PARENT AND ITS SUBSIDIARIES

Details of the Bank's ultimate parent and its subsidiaries as at 31 December 2023 are set out in the relevant sections of "Changes in Share Capital and Shareholders" and notes to the "Financial Statements" of this annual report, respectively.

XI. ARRANGEMENTS TO PURCHASE AND SALE OF SHARES OR DEBENTURES OF THE BANK

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

XII. PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank and relevant PRC laws have not granted the shareholders of the Bank the terms of pre-emptive rights. The Articles of Association stipulate that based on the requirements for operation and development and in accordance with laws and regulations and the Articles of Association, after the Shareholders' general meeting has made its resolution and the approval has been obtained from the banking regulatory authorities of the State Council, the Bank may increase its registered capital in the following ways: offering new shares to non-specific investors; issuing new shares to specific investors; allotting new shares to existing Shareholders; distributing new shares to existing Shareholders; converting capital reserve into share capital; or any other methods approved by laws and administrative regulations.

XIII. MAJOR CUSTOMERS

During the Reporting Period, the balance of the Bank's loans to any non-interbank single customer did not exceed 10% of net capital. The Bank's five largest customers did not account for more than 30% of the Bank's total annual interest income and other operating income.

REPORT OF THE BOARD OF DIRECTORS

XIV. CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence. The Bank considers that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and are accordingly independent.

XV. PENALTIES IMPOSED ON DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, the Bank's directors and supervisors were not subject to inspections, administrative punishments, public criticisms by China Securities Regulatory Commission, or public condemnation by the Hong Kong Stock Exchange.

XVI. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing related party transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Listing Rules, no director or supervisor of the Bank or connected entities of such persons had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

XVII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

XVIII. PERMITTED INDEMNITY PROVISION

The Bank has taken out appropriate insurance against the liability of its directors, supervisors and senior management in respect of legal proceedings arising out of their performance of the Bank's business activities and reviews its coverage on an annual basis.

No permitted indemnity provision previously or currently in effect benefited the directors of the Bank (whether entered into by the Bank or by others) or the directors of the Bank's associates (if entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors.

XIX. MANAGEMENT CONTRACTS

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors and Supervisors had any interest in businesses that constitute or may constitute competition, directly or indirectly, with the business of the Bank.

REPORT OF THE BOARD OF DIRECTORS

XXI. SUFFICIENT PUBLIC FLOAT

As of the Latest Practicable Date, on the basis of publicly available information and to the best knowledge of the Directors, the Bank maintained the sufficient public float to continuously meet the minimum public float requirements under the Listing Rules.

XXII. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Bank did not enter into or maintain any equity-linked agreements in respect of shares.

XXIII. RELATED PARTY/CONNECTED TRANSACTIONS

(I) Related Party Transactions under Supervision

As of the end of the Reporting Period, the Bank had a total credit balance of RMB29,544 million with all related parties. A transaction between the Bank and a single related party that amounts to more than 1% of the Bank's net capital at the end of the previous quarter, or 5% of the Bank's net capital at the end of the previous quarter in aggregate, is considered to be a material related party transaction; after the cumulative amount of a transactions between the Bank and a single related party reaches the criteria in the preceding standard, any subsequent related party transaction will be re-designated as significant related party transaction for every cumulative amount of more than 1% of the net capital at the end of the previous quarter.

(II) Connected Transactions under the Listing Rules

The transactions entered into among the Bank and its connected persons (as defined in the Listing Rules) constitute connected transactions of the Bank under Chapter 14A of the Listing Rules, and such connected transactions are exempted from complying with the reporting, annual review, announcement, and independent shareholder approval requirements in accordance with Chapter 14A of the Listing Rules. During the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business on normal or better commercial terms, and were in compliance with the disclosure exemption requirement under the Listing Rules.

The definition of connected persons in Chapter 14A of the Listing Rules differs from the definition of related parties in IAS 24 Related Party Disclosures and its interpretation by the IASB. Certain related party transactions set out in Note 43 to the consolidated financial statements in the section headed "Financial Reporting" of this report also constitute connected transactions or continuing connected transactions under the Listing Rules, but none of them constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules. The Bank confirms that it has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

XXIV. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

As of the end of the Reporting Period, there were eight pending litigation cases with amount exceeding RMB10 million in which the Bank was a defendant or third party, which involved an amount of approximately RMB2,073 million.

XXV. THE USE OF FUNDS RAISED

On 20 June 2019, the Bank issued US \$1.43 billion of non-cumulative perpetual offshore preference shares. The funds raised from the offshore preference shares shall be used to supplement the Bank's other Tier 1 capital, after deducting issuance costs.

The Bank completed the issuance of 305 million H-shares and 1.338 billion Domestic Shares on 1 and 21 December 2021, respectively, which increased the total number of the Bank's shares to 11,451,268,539. The net amount from this offering, after deducting related issuance costs, amounted to approximately RMB9,663 million, which was fully used to supplement the Bank's core Tier 1 capital.

On 3 April 2023, the Bank completed the issuance and listing of the tier-two capital bonds with a total amount of RMB15 billion in the national interbank bond market. The proceeds raised from the issuance of the tier-two capital bonds, after deducting the issuance expense, have all been used to replenish the tier-two capital of the Bank.

The Bank completed the issuance of 550 million H-shares and 2.409 billion Domestic Shares, respectively, on 29 December 2023, which increased the total number of the Bank's shares to 14,409,789,327. The net amount from this offering, after deducting related issuance costs, amounted to approximately RMB6,433 million, which was fully used to supplement the Bank's core Tier 1 capital.

All the funds raised by the Bank are used according to the purposes disclosed in the prospectus and other relevant documents, that is, to supplement the Bank's capital to support the development of its business in the future.

XXVI. CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank. The Bank adheres to the principles of clarity of authority and responsibility, effective checks and balances in building the corporate governance structure, standardizing the governance operation mechanism, and improving the quality and effectiveness of the governance body's ability to perform its duties. The Bank clarifies and promotes the performance of the respective powers and responsibilities of the general meeting, the Board of Directors, the Board of Supervisors and the senior management in accordance with the law, and promotes the operation of each of governance mechanism of the Bank in compliance with the requirements of laws and regulations, regulatory rules, the Articles of the Bank and other rules. The Bank's corporate governance has remained sound and stable.

REPORT OF THE BOARD OF DIRECTORS

XXVII. OTHERS

As far as the Board of Directors is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Bank held a general meeting on 20 June 2023 to consider and approve the transfer of the relevant assets and completed the transaction on 31 December 2023. For details of the matters relating to the transfer of assets, please refer to the circular dated 31 May 2023, the announcement of the poll results of the 2022 annual general meeting dated 20 June 2023 and the announcement dated 1 January 2024 published by the Bank. Save as disclosed above, there were no other significant asset acquisitions, disposal, or corporate mergers during the Reporting Period.

During the Reporting Period, the Bank did not pledge any significant assets.

During the Reporting Period, the Bank had no major capital operation.

During the Reporting Period, there were no significant contracts entered into by the Bank or any of its subsidiaries with controlling Shareholders or their subsidiaries.

As of the end of the Reporting Period, the Bank had no stock option plan, equity incentive plan or employee stock ownership plan.

XXVIII. SUBSEQUENT EVENTS

After the Reporting Period, the Bank and its subsidiaries did not have any significant events.

REPORT OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors of the Bank conscientiously implemented the policies of the Party and the state on economic and financial matters, regulatory requirements, and the work arrangements of the Party Committee of the headquarters. We strictly followed national laws and regulations and the Articles of Association, adhered to our responsibilities, and collaborated closely with the Board of Directors and senior management. We closely focused on the Bank's strategic priorities and operational development, and in line with the Bank's "Year of Compliance Construction" central work, we further strengthened our supervision work in key areas such as compliance internal control, performance supervision, strategic execution, risk management, financial management, and the performance of duties of the boards of supervisors of subsidiaries, expanded our supervision dimensions, enriched our supervision methods and increased our supervision efforts to improve the quality and effectiveness of supervision, continuously promoting the improvement of corporate governance mechanisms, actively safeguarding the legitimate rights and interests of all stakeholders, and supporting the Group's operation in accordance with laws and regulations and its steady and high-quality development. The report on the relevant work is as follows:

I. COMPOSITION OF BOARD OF SUPERVISORS

As of the end of 2023, the Board of Supervisors of the Bank consisted of nine Supervisors, comprising three employee representative Supervisors (being Ms. Wang Xigui, Ms. He Heng and Mr. Lai Jiexiong); three external Supervisors (being Mr. Han Zhenping, Mr. Shi Shuiping and Mr. Huang Tianshun); and three shareholder Supervisors (being Mr. Chen Jianliang, Mr. Liang Bingtian and Mr. Feng Jintang).

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consisted of five Supervisors, with external supervisor Mr. Shi Shuiping as the chairman and Wang Xigui, Huang Tianshun, Liang Bingtian and He Heng as members; the Audit and Supervision Committee consisted of five Supervisors, with external Supervisor Han Zhenping as the chairman and Shi Shuiping, Chen Jianliang, Feng Jintang and Lai Jiexiong as members.

REPORT OF THE BOARD OF SUPERVISORS

II. MEETINGS OF BOARD OF SUPERVISORS

In 2023, the Board of Supervisors convened a total of six meetings, at which 37 resolutions were considered, including the 2022 work report of the Board of Supervisors, the 2022 performance assessment report of the Board and its members, Supervisors, and senior management and its members, the 2022 performance assessment report of chairmen of the boards of supervisors of subsidiaries, the 2022 results announcement of the Bank, the 2022 profit distribution plan, the 2023 implementation outline of the "14th Five-Year Plan" development strategy, the 2022 work report and the 2023 work plan on comprehensive risk management, compliance risk management, and anti-money laundering, the 2023 audit work plan. In addition, 26 matters were reported, including the 2022 supervisory comments and the status of rectification on the Bank by the Guangdong Bureau of CBIRC, the "Year of Compliance Construction" plan of the Bank, the 2022 work report and the 2023 work plan on case prevention and control, and the special audit report on capital management, market risk management system, consolidated financial statements, anti-money laundering, and anti-terrorist financing.

The Nomination Committee of the Board of Supervisors convened a total of three meetings, at which 8 resolutions were considered, including the 2022 work report of the Nomination Committee of the third session of the Board of Supervisors, the 2022 performance assessment report of the Board and its members, Supervisors, and senior management and its members, and the guidance opinions on further strengthening the supervisory role of the Boards of Supervisors of subsidiaries in the pre- and in-process stages.

The Audit and Supervision Committee of the Board of Supervisors convened a total of three meetings, at which 12 resolutions were considered, including the 2022 work report of the Audit and Supervision Committee of the third session of the Board of Supervisors, report of the Board of Supervisors on the 2022 annual strategic assessment of the Bank, and the research report of the Board of Supervisors on the operation of the compliance management system of the Bank. In addition, four matters were reported, including the special audit report on consumer rights protection in 2022 and the 2023 internal capital adequacy assessment report.

REPORT OF THE BOARD OF SUPERVISORS

III. SUPERVISION WORK OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors of the Bank advanced the supervision function and promoted deeper and more practical supervisory work, with compliance and internal control supervision as the main line, and strategic, performance, risk, and financial supervision as the core. The focus was on the performance and supervision of the chief supervisors of subsidiaries, and efforts were made to strengthen the construction of its own capabilities to comprehensively improve the quality and effectiveness of supervision and effectively play its supervisory role in the corporate governance system.

(I) Taking compliance and internal control supervision as the main line, and helping to improve the overall level of internal control and compliance throughout the Bank

First of all, we launched a special survey on compliance management, focusing on the central work of the "Year of Compliance Construction", to promote the improvement of the internal control system. We conducted a comprehensive survey of the operation of the Bank's compliance management system, thoroughly reviewed the organizational structure, system construction, management mechanisms, and process operations of compliance management, and selected key areas and critical links such as system management, compliance review, compliance inspections, compliance assessment and accountability, case prevention and control, and employee behavior management for targeted investigation. We also reviewed and analyzed some typical cases, while drawing on the experiences and practices of peer institutions, to fully examine the problems and deficiencies in the Bank's compliance management in relevant areas, put forward constructive suggestions to promote the overall improvement of the Bank's compliance management level and the establishment of a sound long-term internal control mechanism.

Second, we strengthened process supervision to urge the implementation of internal control management responsibilities at all levels. According to the work deployment of the "Year of Compliance Construction" and the Bank's supervisory system, we daily strengthened the process supervision of the three lines of defense, conducted special supervision on the activities of the "Year of Compliance Construction" and randomly inspected the establishment and implementation of systems by management departments and operating institutions, as well as internal control self-checks. We issued certain reminder letters in response to issues identified, and urged timely correction and implementation of internal control responsibilities at all levels. We closely monitored key aspects of the Bank's system improvement, the development and implementation of important systems, and other internal control management issues. We carefully studied over 100 system documents such as the Administrative Regulation for Rules and Systems (《規章制度管理規定》), Administrative Measures for Rectification of Regulatory Opinions (《監管意見整改管理辦法》), Administrative Measures for Rectification of Audit Findings (《審計發現問題整改管理辦法》), letters of authorization transfer, and compliance and risk assessment methods, and strengthened supervision on important matters such as system management, compliance management, and implementation of regulatory opinions, providing targeted management recommendations.

REPORT OF THE BOARD OF SUPERVISORS

Third, we focused on supervising problem rectification to promote the improvement of the quality and effectiveness of rectification. Taking supervision of problem rectification as the starting point, we regularly conducted "Retrospective" inspections to focus on supervising the rectification of issues identified in internal and external inspections in 2022 and credit business post-lending management issues since 2021. We issued certain reminder letters, and urged responsible units to solidify the effectiveness of rectification. At the same time, we extended supervision and issued letters to remind and urge operating institutions and management departments to perform their duties at all levels and strengthen risk management throughout the process of typical credit business. We also deepened the use of supervision results and promoted relevant departments within the Bank to seriously implement management suggestions set out in the 2022 business problem rectification survey of the Board of Supervisors, and provide opinions and suggestions for the formulation of rectification work plans and management systems to improve the rectification work mechanism of the Bank.

(II) Focusing on strategic, performance, risk, and financial supervision, and effectively playing the role of supervision in promoting development

First, we strengthened supervision of performance and responsibility to enhance the capacity of the governance entity to fulfill its duties. We continuously improved the performance evaluation system based on daily performance supervision and annual performance evaluation. We strengthened dynamic monitoring of governance performance on a day-to-day basis, strictly followed regulatory requirements, and enhanced supervision of the performance of the Board of Directors and senior management in areas such as capital management, case prevention, operational risk management, anti-money laundering and anti-terrorist financing risk management, implementation of expected credit loss method, and consumer rights protection. We also further standardized and improved the governance performance files, commenced the evaluation of governance performance for the year 2022, focused on dimensions such as the duty of loyalty, diligence, and professional performance, and highlighted differentiated evaluations for different categories of directors, supervisors and the management. At the same time, we strengthened the connection between the evaluation of the performance of the Board of Supervisors and regulatory requirements, objectively and impartially issued performance evaluations, provided timely feedback on the results of the performance evaluation to effectively promote the scientific balance of corporate governance and the improvement of the performance of directors, supervisors and the management. In addition, we conducted mid-year supervision of the performance of the Board of Directors and senior management in 2023, to further promote the standardization and efficient operation of governance.

REPORT OF THE BOARD OF SUPERVISORS

Second, we deepened strategic supervision to support the implementation of strategies. We continued to follow the scientific, reasonable, and stable formulation and implementation of the Bank's development strategy, grasped the main tone of high-quality and extraordinary development, and conducted on-site investigations at the grassroots business outlets based on regular reviews of the strategic execution reports. We paid particular attention to the implementation of strategic transmission, comprehensive marketing reforms, the "300 Billion Project (三千億工程)", compliance and risk control, and other strategies, and formed special research reports, actively providing countermeasures and suggestions. According to regulatory requirements, we conducted the 2022 strategic evaluation, using methods such as interviews, data review, and industry comparisons to verify the effectiveness of strategic execution from multiple perspectives. We conducted in-depth analyses of the gaps between the Bank and our peers, and accordingly, provided management suggestions to fully promote comprehensive marketing at branch outlets, expand channels for increasing revenue, continuously improve risk management mechanisms, develop small and medium-sized asset businesses, and optimize top-level design for digital transformation, which will promote the effectiveness of implementing key strategies throughout the Bank.

Third, we deepened supervision of risk management to promote the improvement of overall risk management capabilities. We strengthened daily supervision of risk management, tracking changes in regulatory indicators and asset quality on a monthly basis. For important documents such as comprehensive risk management, capital management, annual credit and investment policies, and business product systems and other important decision-making matters such as large group credit control, disposal of large risk assets, and implementation of regulatory opinions, we acted as a gatekeeper in terms of the effectiveness of risk management and control and the perfection of internal control and compliance, and provided timely comments and suggestions. From multiple perspectives and levels, we focused on key areas such as anti-money laundering management, collateral management, credit-related litigation management, and decision-making for disposal of debt assets and conducted special supervision. We held special supervision meetings, carried out inspections, and issued reminder letters to urge the enhancement of risk management awareness, improve the risk management system and effectively resolve asset business risks, ultimately increasing the ability and level of risk prevention.

Fourth, we strengthened supervision of financial management to promote the improvement of financial management capabilities. We focused on key financial and operational management matters, tracked the performance of the Group and each operating institution on a monthly basis, continuously monitored major financial activities, regular report preparation, optimization of expected credit loss models and other important financial decision-making and implementation. We reviewed annual financial statements, budget plans, profit distribution plans and other important financial reports, and strengthened the supervision of financial compliance and authenticity. We emphasized the key supervision areas and organized external audits, consulting agencies, and financial departments to convene special supervision meetings on key matters such as regular report auditing/review, data governance, and state-owned enterprise financial management; carried out special inspections on matters such as the performance and compensation of directors and senior management, urge the Bank to strengthen accurate and authentic financial accounting, plan and implement digital transformation and enhance strategic resource allocation to improve the level of precise management of capital and assets and liabilities.

REPORT OF THE BOARD OF SUPERVISORS

(III) By extending the supervision of performance of duties of the chairman of the board of supervisors of subsidiaries to promote the improvement of the governance and compliance management of subsidiaries

First, we thoroughly implemented special support and key supervision, and provided guidance to the operations of the board of supervisors of subsidiaries. On one hand, we completed the first and second batches of specialized support for the boards of supervisors of a total of 16 subsidiaries in batches, selected the boards of supervisors of 7 subsidiaries to initiate the third batch of specialized support, identified and diagnosed the shortcomings in the performance of duties on a case-by-case basis, assigned dedicated personnel to follow up on the day-to-day performance of duties and provide targeted guidance, and supervise the rectification of performance problems, so as to further enhance the ability to perform duties. On the other hand, based on our regular supervision, we selected 2 subsidiaries to conduct special inspections on the performance of the boards of supervisors, and provided key supervision to the boards of supervisors of 7 subsidiaries. At the same time, we selected 3 chairmen of the boards of supervisors of subsidiaries to conduct on-site work reports, helping them clarify the current issues and difficulties in the performance of duties of the boards of supervisors of subsidiaries, and defining the direction for future performances.

Second, we gave equal importance to annual assessments and process supervision to urge diligent and standardized performance of duties. We conducted a comprehensive review and evaluation of the performance of 30 chairmen of the boards of supervisors of subsidiaries in 2022, identified existing problems, and provided targeted work requirements. We awarded outstanding ratings to some diligent and responsible chairmen who effectively fulfilled their supervisory roles, and gave basic or unsatisfactory ratings to those who did not perform their duties adequately to fully utilize the motivating and restraining effects of the evaluations. In addition, we comprehensively used various supervision methods to strengthen the supervision of the performance process, urging and guiding the boards of supervisors of subsidiaries to develop their 2023 work plans. We regularly reviewed performance materials such as work reports and risk information reports of the boards of supervisors of subsidiaries, conducted spot checks on the supervision of chairmen meetings and the performance of regional chairmen while they are on duty, carry out mid-year supervision, coordinate and promote special research on institutional construction for the boards of supervisors of subsidiaries to urge the improvement of the performance level and compliance and internal control supervision effectiveness of the boards of supervisors of subsidiaries.

REPORT OF THE BOARD OF SUPERVISORS

Third, we extended and disseminated management requirements to play a supervisory role in the pre- and in-process stages. We strictly implemented the requirements of the Party Committee of the headquarters, combined with the current performance of the boards of supervisors of subsidiaries, and issued the Guiding Opinions on Further Strengthening the Supervisory Role of the Boards of Supervisors of Subsidiaries in the Pre- and In-Process Stages (《關於進一步發揮子公司監事會事前事中監督作用的指導意見》), elaborating on the supervisory responsibilities of the boards of supervisors of subsidiaries and chairmen in key areas and crucial stages and urging them to promptly identify problems and report risks.

Fourth, we continuously promoted training and guidance to improve the professional capabilities in fulfilling our duties. Through on-site lectures and online live broadcasts, we held 2 sessions of special training classes to improve the supervisory capabilities of chairmen of the boards of supervisors of subsidiaries and invited 6 experts in various industries to teach courses on corporate governance and compliance management, promoting the improvement of professional competence. We also organized seminars for chairmen of the boards of supervisors of subsidiaries to exchange their experiences in fulfilling their duties, share insights, summarize existing difficulties and shortcomings, and propose suggestions for improvement in the next phase. We regularly conducted remote training sessions on topics such as new regulatory policies and industry experiences through the "Learning and Sharing" platform. Since 2023, a total of 23 training sessions have been carried out. At the same time, we reviewed more than 50 proposals of general meetings of the 30 subsidiaries, such as the articles of association of subsidiaries, rules of procedure of the Board of Supervisors and the annual report on the work of the Board of Supervisors. In addition, we issued 100 professional guidance opinions to make the duty performance of the boards of supervisors of subsidiaries more standardized.

REPORT OF THE BOARD OF SUPERVISORS

(IV) Strengthening the Bank's corporate governance mechanism by enhancing its own capacity building

First, we improved the system of the Board of Supervisors to consolidate the foundation of supervision. In accordance with the requirements of the "Year of Compliance Construction" activities, we benchmarked new regulatory policies and combined them with the actual work of supervision to systematically review the compliance, standardization, and practicality of the Board of Supervisors' work system. We completed the revision of 8 systems and the abolition of 8 systems, providing a policy-oriented, regulatory-compliant, and practical system guarantee for the Board of Supervisors to fulfill their supervisory responsibilities with high quality.

Second, we conducted practical supervision over meetings to fulfill our supervisory role. In 2023, we organized and convened 6 meetings of the Board of Supervisors, considered 37 proposals, and reported on 26 matters. During the meetings, we actively expressed opinions and suggestions on key supervision matters such as risk prevention, compliance internal control, auditing work, and strategic execution; at the same time, we actively attended more than 140 important meetings of the Bank, including general meetings, Board meetings, party committee meetings, and executive meetings, to conduct all-round supervision over the decision-making process on important matters, fully playing the role of meeting supervision.

Third, we organized and participated in training and research to improve our performance capabilities. We conducted in-depth research at the grassroots level, visiting 9 grassroots institutions and listening to their opinions and suggestions, regularly reviewed materials such as monthly and quarterly business management reports and work briefings and gained a deeper understanding of the overall operation and management of the Bank. At the same time, we visited 2 peer institutions for research and exchanges, participated in one training course for directors, supervisors and senior management to enhance their performance during the year, and regularly studied training materials on anti-money laundering, compliance management, and financial asset risk classification, broadening our work ideas and perspectives and improving our professional competence in fulfilling our duties.

REPORT OF THE BOARD OF SUPERVISORS

IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

Legal operation of the Bank: During the Reporting Period, the Board of Directors and senior management of the Bank adhered to the operation in accordance with the laws, and the decision-making procedures complied with laws, regulations and the relevant provisions of the Articles of Association of the Bank. In the performance process, no behaviors were found in breach of the laws, regulations and the Articles of Association of the Bank, or jeopardized the interest of the Bank.

Preparation of regular reports: During the Reporting Period, the Board of Supervisors reviewed the 2022 annual report and 2023 interim report of the Bank, and considered that its procedures of preparation and approval were in compliance with relevant laws, regulations and regulatory requirements, and these reports give a true, accurate and complete view of the financial positions and operating results of the Bank.

Profit distribution plan: During the Reporting Period, the Board of Supervisors reviewed the 2022 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant provisions of laws, regulations and the Articles of Association, and was in the interests of all the shareholders, which was beneficial to the long-term development of the Bank.

Use of Proceeds: During the Reporting Period, the Bank's use of proceeds was consistent with the purposes as stated in the Prospectus.

Formulation and implementation of strategy: After its assessment on the development strategy in terms of scientific standard, rationality and soundness, the Board of Supervisors considered that the strategy outline of the Bank was comprehensive and scientific and was already implemented well, allowing the Bank to make progress in key areas effectively.

Implementation of resolutions adopted at general meeting(s): The Board of Supervisors supervised the implementation of resolutions passed at general meeting(s), and concluded that the Board of Directors and the senior management were able to duly implement such resolutions.

REPORT OF THE BOARD OF SUPERVISORS

Performance of the Board of Directors and senior management and their members: During the Reporting Period, the Board of Supervisors appraised the performance of the Board of Directors and senior management and their members for 2022 pursuant to the supervisory regulations, and reported the performance appraisal results to the general meeting and the regulator. The performance appraisal results were competence.

Internal control and risk management: During the Reporting Period, the Board of Supervisors supervised the internal control and risk management of the Bank, and reviewed the 2022 Internal Control Assessment Report and 2022 Work Report on Comprehensive Risk Management. No material defects were found in the internal control and risk management of the Bank.

Performance of social responsibility: During the Reporting Period, the Bank performed its social responsibility in a proactive manner, and the Board of Supervisors had no objections to the 2022 Corporate Social Responsibility Report of the Bank.

Related party transactions: During the Reporting Period, the Bank entered into related party transactions in accordance with the laws and regulations of PRC and the relevant requirements of the Articles of Association. The Board of Supervisors confirmed that no activities were in breach of the principles of honest and fair or jeopardized the interest of the Bank and its shareholders.

REPORT ON SANNONG FINANCIAL SERVICES

The Bank thoroughly implemented General Secretary Xi Jinping's important instructions on the work of "agriculture, rural areas, and farmers" and the spirit of his inspection in Guangdong, conscientiously implemented the specific deployment of the Provincial Party Committee's "1310" and the City Party Committee's "1312" strategy and measures, adhered to the positioning of supporting agriculture and small businesses, comprehensively practiced the political and people-oriented nature of financial work, and efficiently promoted the coordinated development of urban and rural areas to a higher level and better quality. In the "Assessment and Evaluation of Financial Institutions' Services for Rural Revitalization" led by the People's Bank of China, it has been rated as "excellent" in Guangzhou for three consecutive years.

As of the end of the Reporting Period, the Bank's balance of loans related to agriculture reached RMB45.497 billion, an increase of 2.058 billion from the beginning of the year, with a growth rate of 4.74%, accounting for 10.5% of loans related to agriculture in the Guangzhou area; the balance of inclusive loans related to agriculture was RMB10.522 billion, an increase of RMB2.113 billion from the beginning of the year, with a growth rate of 25.12%. The Guangzhou area has 565 branches and 141 rural financial service stations, ranking first in the city in terms of financial coverage.

I. ADHERED TO THE MECHANISM AND STRIVED TO BECOME A MODEL FOR FINANCIAL SERVICES IN RURAL REVITALIZATION

Firstly, it improved its position and adhered to the Party's leadership in agriculture. The Party committee held 18 meetings to study General Secretary Xi Jinping's important speeches and instructions on agriculture and rural revitalization, proposed 21 opinions in combination with practical work, carried out 7 related supervisory tasks, and studied and implemented the spirit of the Central Economic Work Conference to continuously strengthen the Party's overall leadership in rural revitalization.

Secondly, it released a plan to ensure the implementation of work. In 2023, the Bank focused on the "Hundred Thousand Million Project" as a top priority and launched the "One Plan" (Implementation Plan for Focusing on the Comprehensive Promotion of Financial Services for Rural Revitalization in 2023), established two groups (a leadership group and a working group), and launched 13 specific measures around "three aspects" (strengthening agricultural finance, optimizing rural finance, and enhancing financial services for farmers). It regularly conducted reviews and supervision on the implementation of the plan to ensure the detailed implementation of work.

Thirdly, it coordinated and promoted the work and continuously strengthened performance evaluation and incentives. In 2023, the Bank launched the "Rural Financial Performance Evaluation System" and set up differentiated performance evaluation and incentive indicators, highlighting the key focus of the Bank's agricultural financial services and strengthening the assessment mechanism and marketing resource allocation for rural financial services, in order to enhance the quality and efficiency of business development.

REPORT ON SANNONG FINANCIAL SERVICES

Fourthly, it gathered resources and promoted the input of resource elements. In 2023, the Bank made good use of the People's Bank of China's policy on loans for rural and small businesses. It used a total of RMB2.921 billion in loans from the People's Bank of China for rural loans, corresponding to RMB7.32 billion in loans related to agriculture, benefiting 943 households of farmers and agricultural enterprises, with a weighted average interest rate of 3.87%, a decrease of 50 basis points compared to the previous year. It also used RMB11.149 billion in loans for small businesses, corresponding to RMB11.626 billion in loans, benefiting 3,961 market entities, with a weighted average interest rate of 3.75%, a decrease of 49 basis points compared to the previous year. In 2023, the Bank's credit policy focused on rural financial services and targeted key areas such as food production, ensuring stable production and supply of important agricultural products, and promoting the revitalization of the agricultural industry. It set up a green approval channel to improve the efficiency of business approval and provide efficient and coordinated service support and resource guarantee.

II. IMPROVED ITS SERVICE SYSTEM TO SUPPORT THE DEVELOPMENT OF MODERN AGRICULTURAL INDUSTRIES.

First, it strengthened cooperation and supported grain production and supply enterprises. The Bank established a strategic partnership with the local agriculture and rural bureau, established a mechanism for sharing agricultural information, and allocated RMB50 billion in special credit funds to provide financial support for key areas in agriculture. By the end of 2023, the outstanding loans for grain production and supply enterprises reached RMB1.284 billion, with a growth rate of 24.55% compared to the beginning of the year. The outstanding loans for the "Basket of Vegetables" project in the Guangdong-Hong Kong-Macao Greater Bay Area reached RMB375 million, with a growth rate of 74.14%.

Second, it innovated products to support the development of agricultural industrial chains and industrial parks. The Bank developed the "Rural Revitalization Agricultural Loan" and provided loans of RMB5.023 billion to leading agricultural enterprises at all levels, with a growth rate of 12.89%. The outstanding loans for the list of customers in the modern agricultural industrial chain in the city reached RMB2.187 billion, with a growth rate of 14.39% compared to the beginning of the year. The outstanding loans for enterprises in the modern agricultural industrial park reached RMB2.806 billion, with a growth rate of 42.17%. The Bank also developed and promoted the "Flower Planting Loan" and the "Beautiful Countryside Bonsai Loan", with a cumulative investment of RMB49.64 million.

Third, it optimized services to support marine ranch enterprises. The Bank supported the comprehensive development of the "Blue Granary" and projects such as the circulation, processing, and construction of fishery ports and aquaculture in Nansha. It also developed and promoted a batch credit model for the "Aquaculture Loan" and completed an exclusive credit plan for fishing vessels in Nansha. It actively cooperated with the Nansha Fishing Industry Industrial Park and tailored a one-stop service plan for production, supply, and sales, providing RMB160 million in credit support to the park. By the end of 2023, the Bank had provided RMB80.71 million in loans for the "Aquaculture Loan" in Wanqian Sandian Town in Nansha and a total of RMB3.396 billion in loans for marine ranches, benefiting 261 agricultural enterprises and farmers.

REPORT ON SANNONG FINANCIAL SERVICES

Fourth, it strengthened support to promote the development of the prepackaged vegetable industry. The Bank actively promoted local characteristic businesses, opened a green service channel, increased credit support, and strengthened comprehensive financial services. By the end of 2023, the outstanding loans for prepackaged vegetable enterprises reached RMB3.725 billion, supporting a total of 104 agricultural enterprises and farmers.

Fifth, it innovated its business to support the construction of a “Green and Beautiful Guangdong”. The Bank played a leading role in the green finance pilot zone of Huadu Branch and promoted the “Green Enterprise Loan”. It also developed the “Gold Rice Carbon Emission Rights Mortgage Loan” and launched the first “Gold Rice Rural Revitalization Forest Easy Loan” product, which allows for a maximum of 20 times the compensation income, benefiting 18 village community forests and farmers. In 2023, the Bank provided a total of RMB43.249 billion in green credit outstanding, representing an increase of RMB18.354 billion compared to the beginning of the year, with a growth rate of 73.73%, of which RMB2.005 billion was provided in loans for green credit in agriculture, forestry, animal husbandry and fisheries.

III. CREATED INNOVATIVE PRODUCT SUPPLY TO BUILD A NEW PATH FOR FINANCIAL SUPPORT AND BEAUTIFUL RURAL AREAS

First, deepened the main tasks and strengthened the construction of rural financial channels. 103 integrated banking machines were installed in village communities, providing various financial services to 1,302 villages in the city. The Bank also collaborated with the Huangpu District Social Security Center to create the first “social security + finance” themed bank in the district. The Bank continued to promote the construction of three mobile payment projects in Renhe Town, Conghua District, Jiangpu Street in Conghua District, and Jiekou Street in Conghua District, expanding the demonstration town special contracted merchants to 462 households.

Second, research and development of products to support the revitalization of rural collective assets. The Bank introduced specialized credit products such as “Industrial Property Support Loan” and “Garden Financing Loan” to support the upgrading and renovation projects of industrial agglomeration areas in villages and towns in Guangzhou, such as Huadu, Zengcheng, and Conghua. It also developed a “Rural Land Contracting Right Mortgage Loan” and completed the first transaction in the city. In addition, the Bank launched the “Credit Loan” and “Project Loan” for collective construction land to address the difficulty of using rural property rights as collateral for loans, with a total of RMB748 million invested. For collective economic organizations in rural areas, the Bank introduced the “Village and Community Loan” to provide credit support for their development and project construction. As of the end of December, the Bank had provided 7 loans totaling RMB130 million.

Third, coordinated development and financial support for urban village transformation. In 2023, it selected the best projects to participate in the old village renovation business, built a complete mechanism for project reserves and marketing, and supported the “demolition, treatment, and revitalization” of urban villages to optimize the city’s spatial structure. It also explored new ways of providing financial services to promote the construction of livable and business-friendly rural areas. By the end of the year, the Bank had invested a total of RMB8.512 billion to support 15 key projects in old village reconstruction, ranking among the top financial institutions in the province.

REPORT ON SANNONG FINANCIAL SERVICES

Forth, focused on key areas and supported the development of rural cultural and tourism industries. The Bank introduced the specialized credit product “Homestay Loan” in Zengcheng district, providing credit support for the construction of rural cultural and tourism projects such as Conghua Ecological Design Town and Zengcheng Forest Sea, promoting the integration of agriculture, culture, and tourism. The Bank also supported the development of Gualing village into a cultural and tourism village based on the characteristics of the Lingnan ancient village, effectively promoting the construction of beautiful rural areas. In 2023, the Bank’s outstanding loans for the homestay industry reached RMB148 million with a growth rate of 16.82%.

Fifth, went into villages and organized urban thousand-villages football tournament. The Bank actively participated in and sponsored important traditional folk activities, such as dragon boat races and cultural weeks, in 11 districts and villages. It also organized the third Guangzhou Thousand Village Football Tournament, with all 11 districts participating and nearly 200 village teams competing. 32 teams advanced to the city finals, showcasing the positive and progressive spirit of the new rural areas and strengthening the relationship between the Bank and villages.

Sixth, utilized digital technology to enrich the application scenarios of rural finance. It worked with Bureau of Finance and Agriculture and Rural Bureau of Guangzhou Municipality to promote the “Three Funds” management platform and “Village Card” services, continuously optimizing and upgrading the functions of the “Village Wealth” business. The “Village Wealth” system has covered 10 towns, 37 villages, and issued 792 cards this year, with a total of 10,539 cards issued. The Bank also added 4,457 merchants for “Zhujiang Collection” and “Zhujiang Payment” with a total transaction amount of RMB4.934 billion. The “Cloud Xin Tong” business for the management of rural collective funds was implemented in 65 administrative villages in 11 towns and streets in Zengcheng, Conghua, Nansha, and Baiyun districts.

IV. INSISTED ON HELPING FARMERS FOR THE PEOPLE, AND TAKEN UP THE RESPONSIBILITY OF MUNICIPAL FINANCIAL ENTERPRISES

First, promoted industry and agriculture by deepening the “digital commerce and agricultural development” project. It utilized the “Jinmi Mall” e-commerce platform to select high-quality agricultural products and held two rural revitalization themed events in conjunction with major festivals and marketing hotspots. This helped to sell 43,300 products and achieved sales of RMB1.8 million. The Bank also provided consumer e-loans and fingertip loans for personal consumption loans to farmers with stable sources of income, with a total of 4,317 personal consumption loans granted this year and a loan balance of RMB1.299 billion, benefiting 7,111 households.

Second, expanded the scope of credit filing and rating for entire villages. The Bank has been further optimizing the service efficiency of the “entire village credit granting” business for new agricultural business entities and farmers, and supporting the development of local advantageous agricultural industries. This year, the Bank added RMB1.5 billion. In collaboration with the People’s Bank of Conghua, the Bank helped create the “Guangdong Province Entire Village Credit Credit Village” in Hecang Village, Conghua, with a total credit limit of RMB80 million, 19 actual loans, and a loan amount of RMB16.1 million.

REPORT ON SANNONG FINANCIAL SERVICES

Third, provided targeted assistance to help increase income in towns and villages. The Bank conducted in-depth research and consultations with towns and villages to develop specific assistance plans and donated RMB1.9 million in assistance funds for the 2023 fiscal year. The Bank also actively utilized the advantages of trade union organizations, purchasing special agricultural and sideline products from assisted towns and villages for approximately RMB4.6 million, helping agricultural enterprises and households increase production and income and receiving the “Guangdong Poverty Alleviation Red Cotton Cup” and “Silver Cup” awards.

Fourth, organized and led efforts to promote the implementation of charitable projects. In 2023, the Bank utilized the Golden Rice Foundation to carry out the “Bank and Society Supporting Agriculture to Promote Revitalization” project, with a budget of RMB2 million. The Bank also launched the “Assisting Rural Revitalization” project with a budget of RMB4.464 million, supporting more than 200 administrative villages and winning the “Outstanding Contribution Unit for Guangzhou Social Organizations Assisting Rural Revitalization” award.

Fifth, enriched products and provided services to increase village residents’ assets. The Bank further enriched deposit and financial products for village residents to provide product support for increasing their assets. The Bank issued one exclusive financial product for village residents, raising RMB285 million. The Bank also increased the promotion of savings bonds in rural areas to facilitate and support village residents in purchasing bonds. This year, the Bank handled 5,172 savings bond transactions for village residents, with a total sales amount of RMB666 million.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guangzhou Rural Commercial Bank Co., Ltd.

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

OPINION

What we have audited

The consolidated financial statements of Guangzhou Rural Commercial Bank Co., Ltd. (the "**Bank**") and its subsidiaries (the "**Group**"), which are set out on pages 162 to 333, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

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 in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs; and
- Consolidation of structured entities.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs</p>	
<p>Refer to note 2, note 3, note 19 and note 22 to the consolidated financial statements.</p> <p>As at 31 December 2023, the gross amount of Group’s loans and advances to customers was RMB731,318 million, of which RMB604,255 million were measured at amortized cost and RMB127,063 million were measured at fair value through other comprehensive income. A loss allowance of RMB22,410 million was recognized for loans and advances to customers measured at amortized cost and a loss allowance of 66 million was recognized for loans and advances to customers measured at fair value through other comprehensive income in the Group’s consolidated statement of financial position.</p> <p>As at 31 December 2023, the gross balance of financial investments measured at amortized costs amounted to RMB218,879 million, with a loss allowance of RMB1,948 million.</p>	<p>Our audit procedures relating to ECL for loans and advances to customers and financial investments measured at amortized cost are as follows:</p> <p>We assessed the inherent risk of material misstatement relating to ECL for loans and advances to customers and financial investments measured at amortized costs by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</p> <p>We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and financial investments measured at amortized costs, primarily including:</p> <ul style="list-style-type: none"> – The selection, approval and application of ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; – Internal controls relating to significant management judgments and assumptions over ECL models, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, and defaults or credit-impaired, forward-looking measurement;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs (continued)	
<p>The credit impairment losses on loans and advances to customers and financial investments measured at amortized costs recognized in the Group’s consolidated income statement for the year ended 31 December 2023 amounted to RMB7,516 million and 254 million, respectively.</p> <p>The aforesaid credit impairment losses as at 31 December 2023 for the financial assets represented management’s best estimates of the ECL in accordance with International Financial Reporting Standard 9: Financial Instruments (“IFRS 9” or “the standard”).</p> <p>Following the requirements of IFRS 9, management applied ECL models and made the best estimation of ECL for loans and advances to customers and financial investments measured at amortized costs on the reporting date. The Group assesses whether the credit risk of loans and advances to customers and financial investments measured at amortized costs have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments measured at amortized costs classified into stages I and II, and all personal loans, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments measured at amortized costs in stage III, management assesses loss allowance by estimating the cash flows from the loans and financial investments.</p>	<ul style="list-style-type: none"> – Internal controls over the accuracy and completeness of key inputs used by the models; – Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments measured at amortized cost in stage III; and – Internal controls over the information systems for model-based calculation. <p>The substantive procedures we performed primarily included:</p> <ul style="list-style-type: none"> – With our internal ECL modelling specialists’ assistance, we reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgments and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by the management; – We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management’s identification of significant increase in credit risk, defaults and credit-impaired;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs (continued)</p>	
<p>The measurement models of ECL involve significant management estimations and judgments, primarily including the following:</p> <ul style="list-style-type: none"> – Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; – Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired incurred; – Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and – The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III. <p>Considering the material balances of loans and advances to customers and financial investments measured at amortized costs, significant management estimations and judgments, and complex models involved for impairment assessment, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> – With the support from our internal ECL modelling specialists, we assessed the forward-looking information in ECL models used by management, including reviewing management’s selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic scenarios’ weightings; – We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness; and – For corporate loans and financial investments measured at amortized costs in stage III, we examined, on a sample basis, the reasonableness of the forecasted future cash flows prepared by management, including forecasted cash flow and discount rates, etc. from financial information of borrowers and guarantors, latest collateral valuations, and other available information. <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs, the models, key parameters, significant judgment and assumptions adopted by management and the measurement results were considered acceptable.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
<p>Refer to note 2, note 3 and note 39 to the consolidated financial statements.</p> <p>As at 31 December 2023, the Group has managed and invested in various structured entities, such as wealth management products, trust plans and asset management plans. The Group determined whether to consolidate these structured entities based on its assessment whether the Group has control, taking into consideration the 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 on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis over these factors and the conclusion of the control in place or not, involved significant judgments and estimations. Due to the significance of the structured entities and the complexity of judgment exercised by management, consolidation of structured entities is considered a key audit matter.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none"> – Understood the process and relevant controls over the assessment and disclosures of consolidation of structured entities; – Assessed the management's accounting policies about control and the application consistency of these accounting policies, which included the assessment of the Group's power, variable returns from its involvement with, and its ability to use its power to affect the amount of its return from structured entities; – Reviewed the relevant term sheets and the corresponding supporting documents on a sample basis to assess whether the Group had legal or constructive obligation to absorb any loss of the structured entities, and whether the Group has provided liquidity support or credit enhancement to the structured entities, so as to evaluate the Group's controls over the structured entities; and – Understood and evaluated the appropriateness of disclosures in the consolidated financial statements relating to structure entities. <p>Based on the procedures we have performed and the evidence obtained, we found the management's judgment on consolidation of structured entities was acceptable.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRS and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Fu Shing.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	Year ended 31 December	
		2023	2022
Interest income	5	41,745,750	43,818,399
Interest expense	5	(25,162,321)	(25,236,383)
Net interest income		16,583,429	18,582,016
Fee and commission income	6	1,262,166	1,697,764
Fee and commission expense	6	(415,073)	(315,676)
Net fee and commission income		847,093	1,382,088
Net trading gains	7	109,023	1,077,380
Net gains on disposal of financial assets at fair value through other comprehensive income		345,550	287,340
Net gains on disposal of financial assets measured at amortized cost		3,674	222,767
Other income, gains or losses	8	265,363	993,057
Operating income		18,154,132	22,544,648
Operating expenses	9	(6,815,372)	(7,346,181)
Credit impairment losses	11	(8,407,814)	(10,626,000)
Impairment losses on other assets		(18,068)	(62,119)
Profit before income tax		2,912,878	4,510,348
Income tax expense	12	346,629	(472,572)
Profit for the year		3,259,507	4,037,776
Attributable to:			
Shareholders of the Bank		2,634,416	3,492,159
Non-controlling interests		625,091	545,617
		3,259,507	4,037,776
Earnings per share (RMB yuan)			
– basic and diluted	14	0.17	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Year ended 31 December	
	2023	2022
Profit for the year	3,259,507	4,037,776
Other comprehensive income (after tax, net)		
Items that may be reclassified to profit or losses		
Changes in the fair value of financial assets at fair value through other comprehensive income	465,428	(614,190)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income	205,165	(40,777)
Items that will not be reclassified to profit or loss		
Remeasurement losses on defined benefit plans	(23,417)	(19,046)
Sub-total of other comprehensive income for the year	647,176	(674,013)
Total comprehensive income for the year	3,906,683	3,363,763
Total comprehensive income attributable to:		
Shareholders of the Bank	3,167,104	2,880,713
Non-controlling interests	739,579	483,050
	3,906,683	3,363,763

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

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

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and deposits with central bank	15	80,863,847	87,256,135
Deposits with banks and other financial institutions	16	14,942,725	7,764,638
Placements with banks and other financial institutions	17	55,472,499	43,468,970
Financial assets held under resale agreements	18	23,205,250	57,474,333
Loans and advances to customers	19	708,908,577	669,117,866
Financial investments			
– Financial assets at fair value through profit or loss	20	67,798,262	81,974,528
– Financial assets at fair value through other comprehensive income	21	126,167,820	70,945,255
– Financial assets at amortized cost	22	216,930,430	196,517,323
Property and equipment	23	2,908,427	2,934,546
Goodwill	24	734,237	734,237
Deferred tax assets	25	11,154,869	10,424,635
Other assets	26	4,955,507	4,841,985
Total assets		1,314,042,450	1,233,454,451
LIABILITIES			
Due to central bank		27,475,851	20,462,293
Deposits from banks and other financial institutions	27	42,549,922	29,324,940
Placements from banks and other financial institutions	28	5,383,587	3,342,939
Financial liabilities at fair value through profit or loss		4,324	4,005
Financial assets sold under repurchase agreements	29	51,701,119	38,717,319
Customer deposits	30	947,186,017	910,485,032
Income tax payable		868,624	2,231,408
Debt securities issued	31	127,863,513	124,580,525
Other liabilities	32	14,468,616	16,056,888
Total liabilities		1,217,501,573	1,145,205,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

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

	Note	31 December 2023	31 December 2022
EQUITY			
Share capital	33	14,409,789	11,451,269
Preference shares	34	9,820,734	9,820,734
Reserves	35	45,073,757	39,812,050
Retained earnings		19,521,895	19,994,521
Equity attributable to shareholders of the Bank		88,826,175	81,078,574
Non-controlling interests		7,714,702	7,170,528
Total equity		96,540,877	88,249,102
Total liabilities and equity		1,314,042,450	1,233,454,451

The consolidated financial statements were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

Cai Jian
Chairman

Mao Libing
Chief Financial Officer

Huang Sunan
Head of Financial Department

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Attributable to shareholders of the Bank							Non-Controlling interests	Total		
	Share capital <i>Note 33</i>	Preference shares <i>Note 34</i>	Reserves				Subtotal <i>Note 35</i>				
			Capital reserve	Surplus reserve	General reserve	Other comprehensive income					
Balance at 1 January 2023	11,451,269	9,820,734	18,951,196	5,650,358	15,770,294	(559,798)	39,812,050	19,994,521	81,078,574	7,170,528	88,249,102
Net profit for the year	-	-	-	-	-	-	-	2,634,416	2,634,416	625,091	3,259,507
Other comprehensive income for the year	-	-	-	-	-	532,688	532,688	-	532,688	114,488	647,176
Total comprehensive income	-	-	-	-	-	532,688	532,688	2,634,416	3,167,104	739,579	3,906,683
Contribution of shareholders	2,958,520	-	3,474,726	-	-	-	3,474,726	-	6,433,246	-	6,433,246
Transactions with non-controlling interests	-	-	(8,773)	-	-	-	(8,773)	-	(8,773)	8,773	-
Shareholders' donation	-	-	3,809	-	-	-	3,809	-	3,809	2,023	5,832
Appropriation to surplus reserve	-	-	-	193,662	-	-	193,662	(193,662)	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,202,383)	(1,202,383)	(206,201)	(1,408,584)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(645,402)	(645,402)	-	(645,402)
Appropriation to general reserve	-	-	-	-	1,065,595	-	1,065,595	(1,065,595)	-	-	-
Balance at 31 December 2023	14,409,789	9,820,734	22,420,958	5,844,020	16,835,889	(27,110)	45,073,757	19,521,895	88,826,175	7,714,702	96,540,877

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Attributable to shareholders of the Bank							Total			
	Share capital <i>Note 33</i>	Preference shares <i>Note 34</i>	Reserves				Subtotal <i>Note 35</i>		Retained earnings	Non- Controlling interests	Total
			Capital reserve	Surplus reserve	General reserve	Other comprehensive income					
Balance at 1 January 2022	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	6,857,962	86,885,266	
Net profit for the year	-	-	-	-	-	-	-	3,492,159	545,617	4,037,776	
Other comprehensive income for the year	-	-	-	-	-	(611,446)	(611,446)	-	(62,567)	(674,013)	
Total comprehensive income	-	-	-	-	-	(611,446)	(611,446)	3,492,159	483,050	3,363,763	
Transactions with non-controlling interests	-	-	(13,658)	-	-	-	(13,658)	-	13,658	-	
Shareholders' donation	-	-	6,971	-	-	-	6,971	-	3,221	10,192	
Appropriation to surplus reserve	-	-	-	300,297	-	-	300,297	(300,297)	-	-	
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,202,383)	(187,363)	(1,389,746)	
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(620,373)	-	(620,373)	
Appropriation to general reserve	-	-	-	-	1,151,936	-	1,151,936	(1,151,936)	-	-	
Balance at 31 December 2022	11,451,269	9,820,734	18,951,196	5,650,358	15,770,294	(559,798)	39,812,050	19,994,521	7,170,528	88,249,102	

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	Year ended 31 December	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,912,878	4,510,348
Adjustments for:			
Interest income on financial investments		(8,867,217)	(7,994,144)
Interest income accrued on impaired financial assets		(263,590)	(260,053)
Interest expense on debt securities	5	3,316,889	3,612,228
Net trading gains		301,193	(514,828)
Net gains on disposal of financial assets at fair value through other comprehensive income		(345,550)	(287,340)
Net gains on disposal of financial assets measured at amortized cost		(3,674)	(222,767)
Net foreign exchange gains/(losses)		(7,337)	(491,385)
Net gains on disposal of property and equipment		(134,364)	(99,103)
Depreciation and amortization	9	672,831	714,671
Depreciation of investment properties		7,954	7,916
Interest expense on lease liabilities		41,575	46,565
Impairment losses		8,482,582	10,767,866
Others		63,815	–
		6,177,985	9,789,974
Net decrease/(increase) in operating assets:			
Balances with central bank		1,520,670	4,007,629
Deposits with banks and other financial institutions		(1,160,209)	580,929
Placements with banks and other financial institutions		(10,617,895)	(11,161,349)
Financial assets held under resale agreements		(17,399,639)	605,960
Loans and advances to customers		(46,967,166)	(41,109,051)
Increase in financial assets at fair value through profit or loss		(8,913,612)	21,560,463
Other assets		(538,752)	(79,693)
		(84,076,603)	(25,595,112)
Net (decrease)/increase in operating liabilities:			
Due to central bank		7,013,558	(4,397,596)
Deposits from banks and other financial institutions		13,224,982	(6,901,741)
Placements from banks and other financial institutions		2,040,648	2,011,394
Financial liabilities at fair value through profit or loss		319	(1,614)
Financial assets sold under repurchase agreements		12,983,800	6,357,340
Customer deposits		36,688,177	60,450,616
Other liabilities		(1,553,852)	(4,474,882)
		70,397,632	53,043,517
Net cash flows from operating activities before tax		(7,500,986)	37,238,379
Income tax paid		(1,969,925)	(2,127,122)
Net cash flows from operating activities		(9,470,911)	35,111,257

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	Year ended 31 December 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(501,282)	(752,751)
Proceeds from disposal of property and equipment and other long-term assets		188,507	106,374
Cash paid for investments		(139,779,851)	(156,654,085)
Proceeds from sale and redemption of investments		88,238,941	97,980,758
Return on investments		8,190,757	9,340,021
Net cash flows used in investing activities		(43,662,928)	(49,979,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		6,433,246	–
Shareholders' donation		9,870	10,192
Proceeds from debt securities issued		233,680,373	211,797,629
Repayment of debt securities issued		(229,869,544)	(196,087,638)
Interest paid on debt securities		(3,844,730)	(2,775,256)
Dividends paid on ordinary shares		(1,202,383)	(1,202,383)
Dividends paid to preference shares		(645,402)	(620,373)
Net increase in operating assets		(295,682)	(290,621)
Dividends paid to non-controlling shareholders		(206,938)	(183,028)
Net cash flows from financing activities		4,058,810	10,648,522
NET INCREASE IN CASH AND CASH EQUIVALENTS		(49,075,029)	(4,219,904)
Cash and cash equivalents at the beginning of the year		95,744,368	99,541,275
Effect of exchange rate changes on cash and cash equivalents		31,604	422,997
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	46,700,943	95,744,368
Net increase/(decrease) in operating liabilities:			
Interest received		34,748,577	37,330,892
Interest paid		(20,212,564)	(18,496,133)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the “**Bank**”), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the “Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd.” (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the “**CBRC**”), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from the Guangdong Bureau of China Banking Insurance Regulatory Commission (the “**CBIRC**”) and its business license of Unified Social Credit code No.914401017083429628 from Guangzhou Market Supervision and Administration Bureau. The registered office is located at No. 9 Yingri Road, Huangpu District, Guangzhou, China.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the “**Group**”) conducts its operating activities in China.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currencies), granting short, medium and long-term loans (including domestic and foreign currencies), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, Securities investment fund trusteeship and insurance assets trusteeship, financing services, securities investment fund sales business, e-bank services, securitization of credit assets, and other business activities approved by the CBIRC and other relevant regulators.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on 28 March 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2023, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are limited companies. The details of the Bank’s subsidiaries as at 31 December 2023 are as follows:

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
Laiwu Zhujiang County Bank Company Limited	Jinan, Shandong Province	60,000	60,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank Company Limited	Huai'an, Jiangsu Province	100,000	100,000	75.50%	75.50%	75.50%	75.50%	Banking
Jiangsu Qidong Zhujiang County Bank Company Limited	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank Company Limited	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank Company Limited	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank Company Limited	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank Company Limited (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank Company Limited	Meishan, Sichuan Province	100,000	100,000	62.50%	62.50%	70.50%	70.50%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2023, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank’s subsidiaries as at 31 December 2023 are as follows (continued):

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
Xinjin Zhujiang County Bank Company Limited (i)	Chengdu, Sichuan Province	100,000	100,000	35.00%	35.00%	54.00%	54.00%	Banking
Guanghan Zhujiang County Bank Company Limited (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	41.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank Company Limited	Dalian, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking
Jizhou Zhujiang County Bank Company Limited (i)	Ji'an, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking
Heshan Zhujiang County Bank Company Limited (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	71.00%	71.00%	Banking
Beijing Mentougou Zhujiang County Bank Company Limited(ii)	Mentougou District, Beijing	765,000	565,000	93.59%	91.33%	93.59%	91.33%	Banking
Xinyang Zhujiang County Bank Company Limited (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank Company Limited	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank Company Limited (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2023, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank’s subsidiaries as at 31 December 2023 are as follows (continued):

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
Qingdao Chengyang Zhujiang County Bank Company Limited (i)	Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	61.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank Company Limited	Suzhou, Jiangsu Province	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank Company Limited (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank Company Limited (i)	Dongfeng, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank Company Limited (i)	Xingning, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank Company Limited (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank Company Limited (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank Company Limited (i)	Pilot Free Trade Zone, Zhengzhou Section, Henan Province	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the "Group". As at 31 December 2023, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank's subsidiaries as at 31 December 2023 are as follows (continued):

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
Hunan Zhuzhou Zhujiang Rural Commercial Bank Company Limited ("ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	61.00%	61.00%	Banking
Chaozhou Rural Commercial Bank Company Limited (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	71.85%	74.38%	Banking
Guangdong Nanxiong Rural Commercial Bank Company Limited (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank Company Limited (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	1,373,718	50.10%	50.10%	50.10%	50.10%	Banking
Zhujiang Financial Leasing Co., Ltd.	Guangzhou, Guangdong Province	1,500,000	1,500,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

- (i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and other non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Also, the Bank can control these subsidiaries through delegation the key management of these subsidiaries. Hence, the management of the Bank believes that the Bank has controls over these subsidiaries.
- (ii) The Bank made a RMB200,000 thousand capital contribution to Beijing Mentougou Zhujiang County Bank, which resulted the percentage of equity interests held by the Bank increased from 91.33% to 93.59% as at 31 December 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and other comprehensive income that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

When the Bank has less than majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other voting right holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The Group’s voting rights and potential voting rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

The Bank re-assesses 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 described above. A change in the ownership of a subsidiary without a loss of control, is accounted for as equity transaction. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2023

On 1 January 2023, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

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

IFRS 17

IFRS 17 was issued as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2023 (continued)

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2023 (continued)

Amendments to IAS 12 (continued)

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

OECD Pillar Two Rules

The amendments require affected companies to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes
- their current tax expense (if any) related to the Pillar Two income taxes, and
- during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The above amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to IFRS 16	Lease liability in a sale and lease back	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements –Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Amendments to IAS 1

(a) *Classification of Liabilities as Current or Non-current*

Amendments made to IAS 1 Presentation of Financial Statements in 2020 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what IAS 1 means when it refers to the 'settlement' of a liability.

(b) *Non-current liabilities with covenants*

The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IAS 1 (continued)

(b) Non-current liabilities with covenants (continued)

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

Amendment to IFRS 16

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IAS 7 and IFRS 7

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs').

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

- (a) The terms and conditions of SFAs.
- (b) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- (c) The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
- (d) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- (e) Non-cash changes in the carrying amounts of financial liabilities in (b).
- (f) Access to SFA facilities and concentration of liquidity risk with finance providers.

Hong Kong Interpretation 5 (Revised)

The IASB issued amendments to IAS 1 Non-current Liabilities with Covenants to deal with the classification of long-term loan arrangements with covenants as current or non-current.

Amendment to IAS 21

The IASB issued amendments to IAS 21 – Lack of Exchangeability, which add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The Group is assessing the impact of adopting the above standards and amendments. Currently the adoption of the above is expected not to have a material impact on the Group's consolidated financial statements.

2.4 Summary of material accounting policies

2.4.1 Foreign currency translation

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

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments

2.4.2.1 Financial assets and financial liabilities

(a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. When financial assets are purchased in a regular way or sold out, they are recognised on trade-date. Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and the transfer satisfies the new financial instrument guidelines for the derecognition of financial assets. When the current obligations of financial liabilities have been discharged, the Group derecognizes the financial liabilities.

Modification of financial assets

The Group sometimes renegotiates or otherwise modifies financial assets' contract which will change the contractual cash flows of financial assets. When this happens, the Group assesses whether or not the new items are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial assets and recognises 'new' assets at fair value and remeasures a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group remeasures the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is remeasured by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). In assessing whether the credit risk of the relevant financial assets has increased significantly, the Group compares the risk of default on the statement of financial position based on the changed contract terms with the risk of default based on the original contract terms at initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(a) Recognition and derecognition (continued)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(a) Recognition and derecognition (continued)

Derecognition other than on a modification (continued)

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The carrying amount of the transferred asset and associated liability is: (a) the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

(b) Classification and measurement

At initial recognition, the Group measures financial assets or financial liabilities at its fair value plus or minus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When there is a difference between the fair value and the transaction cost at the initial recognition of a financial asset or financial liability, the Group distinguishes between the following:

- (i) At initial recognition, the fair value of a financial asset or financial liability is determined based on the quotation of the same asset or liability in an active market or valuation techniques using only observable market data, the difference between the fair value and the transaction cost is recognised as a gain or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

- (b) Classification and measurement (continued)
- (ii) In the initial recognition, if the fair value of financial assets or financial liabilities is determined in other ways, the difference between the fair value and the transaction cost is deferred. After the initial recognition, the deferred difference is recognised as the gain or loss of the corresponding accounting period based on the degree of change in a factor in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

Fair value

Fair value refers to the price that a market participant can receive from selling an asset or transferring a liability in an orderly transaction that occurs on the balance sheet date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. At the time of valuation, the Group adopts valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information, and inputs that are consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. These valuation techniques maximise the use of observable market data where it is available.

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

Amortized cost and effective interest rate

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Amortized cost and effective interest rate (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Fair value through profit or loss (FVPL).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Debt instruments (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. Factors considered by the Group in determining the business model of a set of financial assets include how the cash flows of the Group were collected in the past, how the Group's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers are paid.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by expected credit losses allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains on financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss.

The Group reclassifies debt investments if and only if its business model for managing those assets changes. The reclassification takes place from the beginning of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- (ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as Net trading gains when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the statement of profit or loss.

Financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(d) Offset

The Group shows financial assets and financial liabilities separately in the statement of financial position and may not offset each other, except for:

- (i) The Group has a statutory right to offset the confirmed amount and the legal right is now enforceable ;
- (ii) The Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

2.4.2.2 Financial guarantee contracts and loan commitments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.2 Financial guarantee contracts and loan commitments (continued)

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss allowance (calculated as described in Note 2.4.2.1(c)); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the ECL allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the ECL allowance is recognised as a provision. However, for contracts that include both a loan and an unused commitment and the Group cannot separately identify provision of unused commitment component from the loan component, the ECL on the unused commitment are recognised together with the ECL allowance for the loan. Provided that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as provisions.

2.4.3 Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

2.4.4 Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.4 Reverse repurchase and repurchase transactions (continued)

Conversely, assets purchased under agreements to resell at a specified future date (“**reverse repos**”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

2.4.5 Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the actual costs of construction. These costs comprise various direct construction costs during the period of construction and other related expenditures. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortization is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 40 years	0%–5%	2.38%–9.50%
Leasehold improvements	Over the shorter of the useful economic lives and remaining lease terms		
Office equipment	3 to 5 years	0%–5%	19.00%–31.67%
Motor vehicles	3 to 5 years	0%–5%	19.00%–31.67%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.5 Property and equipment (continued)

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

2.4.6 Land use rights

Land use rights are right-of-use assets and are recognised at cost, which is the consideration paid. The rights are amortized using the straight-line basis over the period of the leases.

2.4.7 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at the lower of their carrying amount and fair value less costs to sell, at the end of each reporting period. When the fair value less costs to sell is lower than a foreclosed asset's carrying amount, an impairment loss is recognised in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated statements of profit or loss in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.4.8 Intangible assets (other than goodwill)

The Group's intangible assets mainly comprise computer software.

Intangible assets are initially measured at cost and recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. Otherwise, they are recognised in the statement of profit or loss in the period in which they occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.8 Intangible assets (other than goodwill) (continued)

Upon an intangible asset becoming ready for its intended use, the costs less estimated residual value and any impairment losses are amortized over its estimated useful life on the straight-line basis.

The useful lives of the Group's intangible assets are from 2 years to 10 years. The amortization rates of the Group's intangible assets are between 10% and 50%.

The useful life and the amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is adjusted accordingly as change of accounting estimate.

2.4.9 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS Accounting Standards.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.9 Business combination and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.11 Asset impairment

Impairment losses on assets except for deferred tax assets and financial assets are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. After such a reversal, the depreciation/amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.4.12 Cash and cash equivalents

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.13 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of each year is significant, the Group will present them at their present value.

(a) Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Group participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies under the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees provide their services to the Group. Contributions to these plans are recognised in the statement of profit or loss as incurred.

(b) Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

(c) Supplemental retirement benefits

The Group pays supplemental retirement benefits to the retirees, including supplemental pension payments and medical expense coverage. The liability related to the supplemental retirement benefit obligations as at each financial reporting date is calculated by the Group using the projected unit credit method and is recorded as a liability under "Employee benefit obligations" in the statement of financial position. The present value of the liability is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefits are recognised in "Other comprehensive income" in the period when they occur. The gains or losses arising from amendments to supplemental retirement benefit obligations are recognised in the statement of profit or loss in the period when they occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.13 Employee benefits (continued)

(d) Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the statement of profit or loss as they occur.

2.4.14 Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The risk of loss is borne by those trustors. The Group charges a commission related to its activities in connection with entrusted loans which is recognised ratably over the period in which the service is provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.15 Recognition of income and expense

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets measured at amortized cost or fair value through other comprehensive income, except for:

- POCI financial assets, for which the original credit adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'Stage III'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The Group recognizes revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (thus the customer obtains control of that good or service).

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Net trading income

Net trading income arising from trading activities include gains and losses from changes in fair value for financial assets at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.16 Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each year.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.16 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

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 income will be available to allow all or part of the deferred tax assets to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.17 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.17 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.18 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.19 *Contingent liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

2.4.20 *Dividends*

Dividends are recognised as a liability and deducted from equity when they are approved by the Group'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 Group. Dividends for the years ended 2023 and 2022 approved after the end of the year are disclosed as a post year-end event after the year. As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

2.4.21 *Structured entities*

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Examples of structured entities include asset-backed securities, funds, wealth management products, trust plans and asset management plans. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products managed by the Group and the structured entities invested by the Group (Note 39).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.22 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives the grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives the grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. If the fair value cannot be measured reliably, the grants are recorded at the nominal amount of the non-monetary assets. When the grant relates to an expense item, where the grant is intended to compensate the expenses or costs to be incurred in the subsequent period, it is recognised as deferred income and is released to the statement of profit or loss over the periods that the costs, which it is intended to compensate, are expensed; while where the grant is intended to compensate the incurred expenses or costs, the grant is recognised in the statement of profit or loss in the current period. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments. Grants recorded at nominal amount shall be recognised in the statement of profit or loss in the current period.

2.4.23 Segment reporting

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

2.4.24 Determination of materiality criteria and basis of selection

The Group assesses the materiality of financial information from the perspectives of nature and amount of an item, depending on specific environment where it operates. When determining the materiality of nature of the item, the Group mainly considers whether the item is a daily activity in nature and whether it significantly affects the Group's financial position, financial performance and cash flows. When determining the materiality of amount of the item, the Group considers the proportion of the amount in that of a directly related item such as total assets, total liabilities, total owner's equity, total operating income, total operating costs, net profit and total comprehensive income, or the proportion of such amount in that of a separate item in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgments and made assumptions of the effects of uncertain future events on the financial statements. The most significant judgments and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

3.1 Expected credit losses measurement

The measurement of the expected credit losses allowance for financial assets measured at amortized cost and FVOCI, financial guarantee contracts and loan commitments is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers' defaulting and the resulting losses).

The measurement models of expected credit losses involves significant management estimations and judgments, primarily including the following:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. These valuation techniques include the use of observable inputs and data with consistent characteristics of assets or liabilities in the transaction of related assets or liabilities. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates, commodity price and implied option volatilities, are prioritized to use when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using unobservable inputs and data, such as assumption on the credit risk, volatilities and credit of the counterparty. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.3 Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues arising from new tax regulations or other uncertain tax arrangements based on estimates of whether additional taxes will be due. The deductibility of certain items is subject to tax authority's final approval. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income taxes and levies and/or deferred tax provisions in the period in which such determination is made.

3.4 Early retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities of early retirement benefits and supplementary retirement benefits shall be determined based on various assumptions. These assumptions include the discount rate, the growth rate of average medical expenses, the growth rate of benefits for retirees and other factors. Although the management believes that the assumptions which have been adopted are reasonable, the actual empirical values and the changes in the assumptions will still affect the costs and liabilities of the early retirement benefits and supplementary retirement benefits of the Bank.

3.5 Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the "CGU"), or groups of CGUs. The Group forecasts future cash flow of the CGU and CGUs, and applies appropriate discount rate for the calculation of the present value of future cash flow.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.6 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgment on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

4 OPERATING SEGMENT INFORMATION

4.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary trading and agent services including money market placements, investments, repurchases and foreign exchange transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2023					
Interest income	20,888,267	10,162,655	10,694,828	-	41,745,750
Interest expense	(8,270,348)	(10,913,871)	(5,978,102)	-	(25,162,321)
Inter-segments interest (expense)/income	(4,216,626)	7,718,690	(3,502,064)	-	-
Net interest income	8,401,293	6,967,474	1,214,662	-	16,583,429
Fee and commission income	652,151	437,214	172,801	-	1,262,166
Fee and commission expense	(164,984)	(211,271)	(38,818)	-	(415,073)
Net fee and commission income	487,167	225,943	133,983	-	847,093
Net trading gains	-	-	109,023	-	109,023
Net gains on disposal of financial assets at fair value through other comprehensive income	-	-	345,550	-	345,550
Net gains on disposal of financial assets measured at amortized cost	-	-	3,674	-	3,674
Other income, gains or losses	5,703	(103)	77	259,686	265,363
Operating income	8,894,163	7,193,314	1,806,969	259,686	18,154,132
Operating expenses	(2,226,513)	(3,914,829)	(500,222)	(173,808)	(6,815,372)
Credit impairment losses	(5,943,030)	(1,613,681)	(619,275)	(231,828)	(8,407,814)
Impairment losses on other assets	(12,068)	(3,793)	(2,143)	(64)	(18,068)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Profit before tax	712,552	1,661,011	685,329	(146,014)	2,912,878
Income tax expense	-	-	-	-	346,629
Profit for the year	-	-	-	-	3,259,507
Other segment information:					
Depreciation and amortization	218,799	400,187	45,697	8,148	672,831
Capital expenditure	162,911	296,978	33,133	8,260	501,282
As at 31 December 2023					
Segment assets	437,225,256	177,771,492	679,218,818	8,672,015	1,302,887,581
Segment liabilities	(385,392,802)	(589,308,974)	(242,530,565)	(269,232)	(1,217,501,573)
Other segment information:					
Credit commitments	171,133,521	37,654,039	-	-	208,787,560

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2022					
Interest income	24,372,436	9,225,730	10,220,233	–	43,818,399
Interest expense	(8,475,493)	(10,207,465)	(6,553,425)	–	(25,236,383)
Inter-segments interest (expense)/income	(5,389,851)	9,216,247	(3,826,396)	–	–
Net interest income	10,507,092	8,234,512	(159,588)	–	18,582,016
Fee and commission income	895,114	562,907	239,743	–	1,697,764
Fee and commission expense	(149,089)	(133,753)	(32,834)	–	(315,676)
Net fee and commission income	746,025	429,154	206,909	–	1,382,088
Net trading gains	–	–	1,077,380	–	1,077,380
Net gains on disposal of financial assets at fair value through other comprehensive income	–	–	287,340	–	287,340
Net gains on disposal of financial assets measured at amortized cost	–	–	222,767	–	222,767
Other income, gains or losses	196,127	268,604	24,223	504,103	993,057
Operating income	11,449,244	8,932,270	1,659,031	504,103	22,544,648
Operating expenses	(2,446,277)	(4,268,483)	(432,722)	(198,699)	(7,346,181)
Credit impairment losses	(7,217,271)	(2,382,033)	(852,582)	(174,114)	(10,626,000)
Impairment losses on other assets	(42,192)	(13,925)	(4,984)	(1,018)	(62,119)
Profit before tax	1,743,504	2,267,829	368,743	130,272	4,510,348
Income tax expense					(472,572)
Profit for the year					4,037,776
Other segment information:					
Depreciation and amortization	234,893	425,566	38,268	15,944	714,671
Capital expenditure	247,747	443,789	44,954	16,261	752,751
As at 31 December 2022					
Segment assets	416,687,961	171,806,554	625,878,049	8,657,252	1,223,029,816
Segment liabilities	(400,846,845)	(542,128,185)	(201,765,197)	(465,122)	(1,145,205,349)
Other segment information: Credit commitments	200,496,618	34,870,599	–	–	235,367,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.2 Geographic information

The Bank mainly operates in Guangdong Province, China. The major customers and non-current assets are located in Guangdong Province, China.

5 NET INTEREST INCOME

	Year ended 31 December	
	2023	2022
Interest income		
Loans and advances to customers	29,492,073	32,739,728
Financial investments		
– Financial assets at amortized cost	6,316,227	6,156,450
– Financial assets at fair value through other comprehensive income	2,550,990	1,837,694
Financial assets held under resale agreements	811,458	841,160
Due from central bank	857,864	911,389
Deposits with banks and other financial institutions	1,717,138	1,331,978
Subtotal	41,745,750	43,818,399
Interest expense		
Customer deposits	(19,482,232)	(19,078,188)
Debt securities issued	(3,316,889)	(3,612,228)
Deposits from banks and other financial institutions	(770,121)	(930,049)
Due to central bank	(563,698)	(763,331)
Financial assets sold under repurchase agreements	(554,097)	(320,915)
Borrowings from other banks (i)	(433,709)	(485,107)
Lease liabilities	(41,575)	(46,565)
Subtotal	(25,162,321)	(25,236,383)
Net interest income	16,583,429	18,582,016
Including:		
Interest income accrued on impaired financial assets	263,590	260,053

- (i) The interest expenses for the long-term and short-term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

6 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2023	2022
Fee and commission income:		
Agency and custodian service fees	318,504	375,119
Syndicated loan fees	192,937	305,141
Settlement and electronic channel business fees	178,663	175,522
Bank card fees	177,001	197,325
Wealth management products related fee income	173,760	239,341
Guarantee and commitment service fees	116,181	143,190
Bond lending arrangements fees	63,197	80,719
acceptance fees	22,821	23,121
Others	19,102	158,286
Subtotal	1,262,166	1,697,764
Fee and commission expense:		
Settlement and electronic channel business fees	(91,088)	(31,326)
Agency service fees	(69,100)	(57,888)
Bank card fees	(60,993)	(63,051)
Interbank services fees	(29,237)	(27,009)
Others	(164,655)	(136,402)
Subtotal	(415,073)	(315,676)
Net fee and commission income:	847,093	1,382,088

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

7 NET TRADING GAINS

	Year ended 31 December	
	2023	2022
Debt securities:		
Unrealised gains/(losses) from debt securities	88,975	(1,198,477)
Realised gains from debt securities	186,194	1,342,072
Subtotal	275,169	143,595
Funds:		
Unrealised gains/(losses) from funds	44,020	(37,712)
Realised gains from funds	828,828	969,244
Subtotal	872,848	931,532
Others	(1,038,994)	2,253
Total	109,023	1,077,380

The above amounts include gains and losses arising from the buying and selling of, interest income on, and profit or loss on changes in fair value of financial assets at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

8 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2023	2022
Government grants and subsidies	78,460	319,087
Net foreign exchange gains	7,337	491,385
Net gains on disposal of property and equipment	148,546	132,806
Others	31,020	49,779
Total	265,363	993,057

9 OPERATING EXPENSES

	Year ended 31 December	
	2023	2022
Staff costs (i)	4,312,532	4,855,350
Depreciation and amortization	672,831	714,671
Tax and surcharges	265,466	272,849
Currency delivery fees	149,199	142,578
Advertising and promotional expenses	227,076	254,543
Labor dispatch fees	67,879	64,552
Consulting fees	27,782	35,636
Professional service fees	19,367	20,201
Others	1,073,240	985,801
Total	6,815,372	7,346,181

(i) Staff costs

	Year ended 31 December	
	2023	2022
Salaries, bonuses and allowances (include early retirement)	2,761,326	3,323,756
Social insurance, employee benefits and benefits for supplemental retirement	1,425,535	1,425,015
Labour union expenditure, education costs and others	125,671	106,579
Total	4,312,532	4,855,350

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended 31 December 2023				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Chairman					
Cai Jian (i)	–	910	122	124	1,156
Vice Chairman					
Yi Xuefei (vii)	–	197	18	24	239
Independent Directors					
Zhang Hua (iii)	383	–	–	–	383
Liao Wenyi (ii)	382	–	–	–	382
Tan Jinsong (iii)	255	–	–	–	255
Ma Xueming (ii)	324	–	–	–	324
Du Jinmin (iii)	306	–	–	–	306
Zhang Weiguo (iv)	267	–	–	–	267
Directors					
Zhang Junzhou (vi)	141	–	–	–	141
Zhuang Yuemin (vi)	7	–	–	–	7
Feng Yaoliang (vi)	141	–	–	–	141
Lai Zhiguang (vi)	135	–	–	–	135
Feng Kaiyun (vi)	63	–	–	–	63
Da Hengcheng(v)	135	–	–	–	135
Zuo Liang (vi)	–	–	–	–	–
Liu Wensheng (xii)	38	–	–	–	38
Wang Xiaobin (xii)	30	–	–	–	30
Meng Sen (xii)	44	–	–	–	44
Chairman of the Board of Supervisors					
Wang Xigui (viii)	–	827	123	124	1,074
Supervisors					
He Heng (ix)	–	1,295	123	123	1,541
Lai Jiexiong (ix)	–	1,295	123	110	1,528
Chen Jianliang (x)	94	–	–	–	94
Liang Bingtian (xi)	137	–	–	–	137
Feng Jintang (xi)	128	–	–	–	128
External Supervisors					
Han Zhenping (xiii)	114	–	–	–	114
Shi Shuiping (xiii)	153	–	–	–	153
Huang Tianshun (xiv)	134	–	–	–	134
Total	3,411	4,524	509	505	8,949

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2022				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Chairman					
Cai Jian (i)	–	964	171	138	1,273
Vice Chairman					
Yi Xuefei (vii)	–	964	171	138	1,273
Independent Directors					
Zhang Hua (iii)	386	–	–	–	386
Liao Wenyi (ii)	385	–	–	–	385
Tan Jinsong (iii)	302	–	–	–	302
Ma Xueming (ii)	302	–	–	–	302
Du Jinmin (iii)	267	–	–	–	267
Zhang Weiguo (iv)	83	–	–	–	83
Directors					
Zhang Jian (xv)	–	401	84	65	550
Zhang Junzhou (vi)	152	–	–	–	152
Zhuang Yuemin (vi)	151	–	–	–	151
Feng Yaoliang (vi)	129	–	–	–	129
Lai Zhiguang (vi)	129	–	–	–	129
Feng Kaiyun (vi)	123	–	–	–	123
Da Hengcheng (v)	40	–	–	–	40
Zuo Liang (vi)	–	–	–	–	–
Chairman of the Board of Supervisors					
Wang Xigui (viii)	–	868	171	138	1,177
Supervisors					
He Heng (ix)	–	1,144	217	138	1,499
Lai Jiaxiong (ix)	–	1,072	228	138	1,438
Liang Bingtian (xi)	140	–	–	–	140
Feng Jintang (xi)	125	–	–	–	125
Chen Jianliang (x)	73	–	–	–	73
Zhang Gang (xvi)	12	–	–	–	12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2022				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
External Supervisors					
Han Zhenping (xiii)	137	–	–	–	137
Shi Shuiping (xiii)	156	–	–	–	156
Huang Tianshun (xiv)	50	–	–	–	50
Zhan Liyuan (xvii)	39	–	–	–	39
Total	3,181	5,413	1,042	755	10,391

- (i) Cai Jian was appointed as chairman of the Bank on 30 March 2021, and his annual emoluments for 2022 were approved by the board of directors of the Bank.
- (ii) Liao Wenyi and Ma Xueming were appointed as independent directors of the Bank on 29 July 2021.
- (iii) Du Jinmin, Tan Jinsong and Zhang Hua were appointed as independent directors of the Bank on 18 March 2021.
- (iv) Zhang Weiguo was appointed as independent director of the Bank on 27 September 2022.
- (v) Da Hengcheng was appointed as director of the Bank on 27 September 2022.
- (vi) Feng Kaiyun, Zuo Liang, Zhang Junzhou, Zhuang Yuemin, Feng Yaoliang and Lai Zhiguang were appointed as directors of the Bank on 18 March 2021. Zuo Liang voluntarily gives up receiving remuneration. Zhuang Yuemin and Feng Kaiyun ceased to act as directors of the Bank on 2 February 2023 and 13 July 2023, respectively.
- (vii) Yi Xuefei ceased to act as Vice Chairman of the Bank on 20 February 2023, and his annual emoluments for 2022 were approved by the board of directors of the Bank.
- (viii) Wang Xigui was appointed as chief supervisor, and her annual emoluments for 2022 were approved by the board of directors of the Bank.
- (ix) He Heng and Lai Jiaxiong were appointed as supervisors on 25 February 2021.
- (x) Chen Jianliang was appointed as supervisor of the Bank on 16 June 2022.
- (xi) Liang Bingtian and Feng Jintang were appointed as supervisors of the Bank on 23 February 2021.
- (xii) Liu Wensheng and Meng Sen were appointed as directors of the Bank on 15 September 2023, and Wang Xiaobin was appointed as a director of the Bank 30 October 2023.
- (xiii) Han Zhenping and Shi Shuiping were appointed as external supervisors of the Bank on 23 February 2021.
- (xiv) Huang Tianshun was appointed as external supervisor of the Bank on 16 June 2022.
- (xv) Zhang Jian ceased to act as a director of the Bank since August 2022, and his annual emoluments for 2022 were approved by the board of directors of the Bank.
- (xvi) Zhang Gang ceased to act as a supervisor of the Bank since 10 March 2022.
- (xvii) Zhan Liyuan ceased to act as an external supervisor of the Bank since 19 May 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

For the year ended 31 December 2023, the five highest paid individuals of the Group comprised no directors nor supervisors (31 December 2022: no directors nor supervisors).

The emoluments of the five highest paid individuals for the years are as follows:

	Year ended 31 December	
	2023	2022
Basic salaries, housing allowances, share options, other allowances and benefits in kind	9,430	8,517
Contribution to pension scheme	620	690
Discretionary bonuses	–	–
Inducement fee to join or upon joining the Group	–	–
Compensation for loss of office:		
– contractual payments	–	–
– other payment	–	–
Total	10,050	9,207

	Number of Individuals Year ended 31 December	
	2023	2022
RMB500,001–RMB1,000,000	–	–
RMB1,000,001–RMB1,500,000	–	–
RMB1,500,001–RMB2,000,000	2	5
RMB2,000,001–RMB2,500,000	3	–
RMB2,500,001–RMB3,000,000	–	–
Total	5	5

For the years ended 31 December 2023 and 2022, no emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

11 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2023	2022
Loans and advances to customers		
– Loans and advances to customers at amortized cost	7,516,450	9,492,957
– Impairment gains on assets (i)	(56,700)	(79,747)
– Loans and advances to customers at fair value through other comprehensive income	12,952	33,128
Financial investments	514,182	917,572
Off-balance sheet activities	96,961	(45,177)
Deposits with banks and other financial institutions	(1,681)	(3,606)
Placements with banks and other financial institutions	79,720	168,493
Others	245,930	142,380
Total	8,407,814	10,626,000

- (i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
Current income tax	607,141	3,014,123
Deferred income tax	(953,770)	(2,541,551)
Total	(346,629)	472,572

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

12 INCOME TAX EXPENSE (CONTINUED)

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2023	2022
Profit before income tax	2,912,878	4,510,348
Tax calculated at a tax rate of 25%	728,220	1,127,587
Tax effect arising from income not subject to tax (i)	(1,152,445)	(1,198,337)
Tax effect of expenses that are not deductible for tax purposes (ii)	102,842	120,939
Adjustments on income tax for prior years which affect current profit or loss	(25,246)	422,383
Income tax expense	(346,629)	472,572

- (i) The income not subject to tax mainly represents interest income arising from treasury bonds and local government debts, which is income tax free in accordance with the PRC tax regulations.
- (ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses, deposit insurance fees and other expenditures that are in excess of deductible limits for tax purposes according to PRC tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

13 DIVIDENDS

	Year ended 31 December	
	2023	2022
Dividends on ordinary shares declared and paid: Dividend per share (in RMB yuan)	1,202,383 0.105	1,202,383 0.105
Dividends on preference shares declared	645,402	620,373

(a) Distribution of final dividend for 2022

A cash dividend of RMB0.105 per ordinary share related to 2022, amounting to RMB1,202,383 thousand in total was approved in the annual general meeting held on 20 June 2023.

The above dividend was recognized as distribution and paid during the year ended 31 December 2023.

(b) Distribution of preference dividend

A cash dividend for preference shares, amounting to RMB645,402 thousand in total was approved by the board of directors on 25 April 2023.

The above dividend was recognized as distribution and paid during the year ended 31 December 2023.

14 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding in issue during the years.

	Year ended 31 December	
	2023	2022
Net profit attributable to ordinary shareholders of the Bank (in RMB thousand)	2,634,416	3,492,159
Less: Distribution for the year attributable to preference shareholders of the Bank	(645,402)	(620,373)
Net profit for the year attributable to ordinary shareholders of the Bank	1,989,014	2,871,786
Divided: Weighted average number of ordinary shares in issue (in thousand)	11,475,585	11,451,269
Basic and diluted earnings per share (in RMB yuan)	0.17	0.25

During the years 2023 and 2022, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur in the year ended 31 December 2023, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

15 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 31 December	
	2023	2022
Cash on hand	2,808,509	3,319,321
Mandatory reserves with central bank (a)	48,828,401	50,461,796
Surplus reserves with central bank (b)	28,952,529	33,313,335
Fiscal deposits with central bank	274,408	161,683
Subtotal	80,863,847	87,256,135
Less:		
ECL allowance	—	—
Total	80,863,847	87,256,135

(a) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2023, the ratio of the Bank for RMB deposits statutory reserve was 5.25% (31 December 2022: 5.75%), and different ratios are applicable to the subsidiaries based on their respective locations. The ratio for foreign currency deposits was 4.00% (31 December 2022: 6.00%). The reserves for RMB is interest bearing based on the rules of the PBOC.

(b) Surplus reserves are mainly for settlement purpose.

16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits with banks operating in Mainland China	11,835,962	5,770,750
Deposits with other financial institutions operating in Mainland China	896,891	1,113,874
Deposits with banks operating outside Mainland China	2,162,720	880,322
Interest receivable	47,598	23,197
Subtotal	14,943,171	7,788,143
Less:		
ECL allowance	(446)	(23,505)
Total	14,942,725	7,764,638

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

17 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Placements with banks operating in Mainland China	424,962	69,646
Placements with other financial institutions operating in Mainland China	53,387,720	42,713,170
Placements with banks operating outside Mainland China	2,054,977	1,097,980
Interest receivable	73,890	50,954
Subtotal	55,941,549	43,931,750
Less:		
ECL allowance	(469,050)	(462,780)
Total	55,472,499	43,468,970

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2023	2022
Debt securities purchased under resale agreements	23,203,769	57,422,440
Interest receivable	15,583	51,893
Subtotal	23,219,352	57,474,333
Less:		
ECL allowance	(14,102)	–
Total	23,205,250	57,474,333

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 31 December	
	2023	2022
Loans and advances at amortised cost		
Corporate loans and advances		
– Corporate loans	428,956,885	440,584,663
– Discounted bills	204,510	135,146
	429,161,395	440,719,809
Personal loans and advances		
– Personal residential mortgages	71,152,812	73,570,722
– Personal business loans	76,605,069	71,236,817
– Personal consumption loans	15,560,168	10,999,736
– Credit cards overdraft	11,776,093	10,151,434
	175,094,142	165,958,709
Gross amount of loans and advances at amortised cost	604,255,537	606,678,518
Less: ECL allowance of loans and advances at amortised cost	(22,409,671)	(22,854,050)
Net amount of loans and advances at amortised cost	581,845,866	583,824,468
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills and forfaiting	127,062,711	85,293,398
Net amount of loans and advance to customers	708,908,577	669,117,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance

	As at 31 December 2023				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	331,556,163	69,030,947	28,555,714	18,571	429,161,395
Personal loans	168,516,321	2,642,582	3,879,949	55,290	175,094,142
	500,072,484	71,673,529	32,435,663	73,861	604,255,537
Less: ECL allowance					
– Corporate loans	(3,087,409)	(4,971,411)	(9,558,461)	(938)	(17,618,219)
– Personal loans	(1,540,628)	(645,268)	(2,605,319)	(237)	(4,791,452)
	(4,628,037)	(5,616,679)	(12,163,780)	(1,175)	(22,409,671)
Net amount of loans and advances to customers	495,444,447	66,056,850	20,271,883	72,686	581,845,866
Gross amount of loans and advances at fair value through other comprehensive income	127,062,711	–	–	–	127,062,711

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance (Continued)

	As at 31 December 2022				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	350,516,713	56,777,954	33,397,720	27,422	440,719,809
Personal loans	160,772,179	2,463,720	2,660,938	61,872	165,958,709
	511,288,892	59,241,674	36,058,658	89,294	606,678,518
Less: ECL allowance					
– Corporate loans	(3,259,927)	(4,160,147)	(11,612,443)	(1,131)	(19,033,648)
– Personal loans	(1,445,468)	(536,168)	(1,838,282)	(484)	(3,820,402)
	(4,705,395)	(4,696,315)	(13,450,725)	(1,615)	(22,854,050)
Net amount of loans and advances to customers	506,583,497	54,545,359	22,607,933	87,679	583,824,468
Gross amount of loans and advances at fair value through other comprehensive income	85,293,398	–	–	–	85,293,398

The assets in Stage III were mainly trust and asset management plans invested in credit assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance

Movements in ECL allowance on loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2023				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
ECL allowance as at 1 January 2023	3,259,927	4,160,147	11,612,443	1,131	19,033,648
Originated or purchased	1,384,570	-	-	-	1,384,570
Derecognition or settlements	(1,154,482)	(212,074)	(162,924)	(1)	(1,529,481)
Remeasurement					
– Parameter changes	58,532	33,331	1,069,896	(192)	1,161,567
– Stage transfer	(49,693)	1,227,292	4,157,092	-	5,334,691
Write-offs or disposals	-	-	(7,521,449)	-	(7,521,449)
Transfers	(411,445)	(237,285)	648,730	-	-
Transfer from Stage I to Stage II	(450,924)	450,924	-	-	-
Transfer from Stage I to Stage III	(18,130)	-	18,130	-	-
Transfer from Stage II to Stage I	57,609	(57,609)	-	-	-
Transfer from Stage II to Stage III	-	(630,600)	630,600	-	-
Transfer from Stage III to Stage II	-	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Others	-	-	(245,327)	-	(245,327)
ECL allowance as at 31 December 2023	3,087,409	4,971,411	9,558,461	938	17,618,219

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
ECL allowance as at 1 January 2022	2,845,586	3,644,029	10,057,799	914	16,548,328
Originated or purchased	1,652,874	–	–	–	1,652,874
Derecognition or settlements	(980,478)	(321,837)	(140,134)	–	(1,442,449)
Remeasurement					
– Parameter changes	405,264	114,098	3,425,090	217	3,944,669
– Stage transfer	(89)	1,350,110	3,585,683	–	4,935,704
Write-offs or disposals	–	–	(6,352,287)	–	(6,352,287)
Transfers	(663,230)	(626,253)	1,289,483	–	–
Transfer from Stage I to Stage II	(495,053)	495,053	–	–	–
Transfer from Stage I to Stage III	(168,281)	–	168,281	–	–
Transfer from Stage II to Stage I	104	(104)	–	–	–
Transfer from Stage II to Stage III	–	(1,121,202)	1,121,202	–	–
Transfer from Stage III to Stage II	–	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(253,191)	–	(253,191)
ECL allowance as at 31 December 2022	3,259,927	4,160,147	11,612,443	1,131	19,033,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2023				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
ECL allowance as at 1 January 2023	1,445,468	536,168	1,838,282	484	3,820,402
Originated or purchased	674,537	–	–	–	674,537
Derecognition or settlements	(419,256)	(158,668)	(165,152)	(17)	(743,093)
Remeasurement					
– Parameter changes	(52,449)	930	102,580	(230)	50,831
– Stage transfer	(149,551)	485,220	1,285,058	–	1,620,727
Write-offs or disposals	–	–	(613,689)	–	(613,689)
Transfers	41,879	(218,382)	176,503	–	–
Transfer from Stage I to Stage II	(50,722)	50,722	–	–	–
Transfer from Stage I to Stage III	(76,850)	–	76,850	–	–
Transfer from Stage II to Stage I	113,316	(113,316)	–	–	–
Transfer from Stage II to Stage III	–	(187,812)	187,812	–	–
Transfer from Stage III to Stage II	–	32,024	(32,024)	–	–
Transfer from Stage III to Stage I	56,135	–	(56,135)	–	–
Others	–	–	(18,263)	–	(18,263)
ECL allowance as at 31 December 2023	1,540,628	645,268	2,605,319	237	4,791,452

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (Continued)

	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
ECL allowance as at 1 January 2022	1,702,298	613,434	1,244,546	513	3,560,791
Originated or purchased	700,272	–	–	–	700,272
Derecognition or settlements	(587,108)	(201,646)	(210,814)	–	(999,568)
Remeasurement					
– Parameter changes	(254,094)	(56,154)	133,759	(29)	(176,518)
– Stage transfer	(132,004)	399,019	1,037,524	–	1,304,539
Write-offs or disposals	–	–	(562,252)	–	(562,252)
Transfers	16,104	(218,485)	202,381	–	–
Transfer from Stage I to Stage II	(45,131)	45,131	–	–	–
Transfer from Stage I to Stage III	(80,417)	–	80,417	–	–
Transfer from Stage II to Stage I	112,851	(112,851)	–	–	–
Transfer from Stage II to Stage III	–	(178,189)	178,189	–	–
Transfer from Stage III to Stage II	–	27,424	(27,424)	–	–
Transfer from Stage III to Stage I	28,801	–	(28,801)	–	–
Others	–	–	(6,862)	–	(6,862)
ECL allowance as at 31 December 2022	1,445,468	536,168	1,838,282	484	3,820,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

Discounted bills and forfaiting	Year ended 31 December 2023			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2023	52,729	-	-	52,729
Originated or purchased	65,681	-	-	65,681
Derecognition or settlements	(52,729)	-	-	(52,729)
Remeasurement				
– Parameter changes	-	-	-	-
Write-offs or disposals	-	-	-	-
Transfers	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2023	65,681	-	-	65,681

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2022	19,601	–	–	19,601
Originated or purchased	52,729	–	–	52,729
Derecognition or settlements	(19,601)	–	–	(19,601)
Remeasurement				
– Parameter changes	–	–	–	–
Write-offs or disposals	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2022	52,729	–	–	52,729

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2023				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Gross carrying amounts as at 1 January 2023	350,516,713	56,777,954	33,397,720	27,422	440,719,809
Originated or purchased	159,217,430	-	-	-	159,217,430
Derecognition	(149,997,068)	(3,838,285)	(587,084)	(8,851)	(154,431,288)
Write-offs or disposals	-	-	(16,344,556)	-	(16,344,556)
Transfers	(28,180,912)	16,091,278	12,089,634	-	-
Transfer from Stage I to Stage II	(27,515,436)	27,515,436	-	-	-
Transfer from Stage I to Stage III	(1,401,686)	-	1,401,686	-	-
Transfer from Stage II to Stage I	736,210	(736,210)	-	-	-
Transfer from Stage II to Stage III	-	(10,687,948)	10,687,948	-	-
Transfer from Stage III to Stage II	-	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Gross carrying amounts as at 31 December 2023	331,556,163	69,030,947	28,555,714	18,571	429,161,395

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
Gross carrying amounts as at					
1 January 2022	338,827,887	42,298,823	26,315,208	29,310	407,471,228
Originated or purchased	168,019,315	–	–	–	168,019,315
Derecognition	(124,513,734)	(2,313,315)	(1,589,510)	(1,888)	(128,418,447)
Write-offs or disposals	–	–	(6,352,287)	–	(6,352,287)
Transfers	(31,816,755)	16,792,446	15,024,309	–	–
Transfer from Stage I to Stage II	(24,418,753)	24,418,753	–	–	–
Transfer from Stage I to Stage III	(7,399,234)	–	7,399,234	–	–
Transfer from Stage II to Stage I	1,232	(1,232)	–	–	–
Transfer from Stage II to Stage III	–	(7,625,075)	7,625,075	–	–
Transfer from Stage III to Stage II	–	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Gross carrying amounts as at					
31 December 2022	350,516,713	56,777,954	33,397,720	27,422	440,719,809

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2023				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Gross carrying amounts as at 1 January 2023	160,772,179	2,463,720	2,660,938	61,872	165,958,709
Originated or purchased	72,531,424	-	-	-	72,531,424
Derecognition	(61,279,095)	(964,660)	(531,965)	(6,582)	(62,782,302)
Write-offs or disposals	-	-	(613,689)	-	(613,689)
Transfers	(3,508,187)	1,143,522	2,364,665	-	-
Transfer from Stage I to Stage II	(2,328,606)	2,328,606	-	-	-
Transfer from Stage I to Stage III	(1,835,178)	-	1,835,178	-	-
Transfer from Stage II to Stage I	561,897	(561,897)	-	-	-
Transfer from Stage II to Stage III	-	(688,540)	688,540	-	-
Transfer from Stage III to Stage II	-	65,353	(65,353)	-	-
Transfer from Stage III to Stage I	93,700	-	(93,700)	-	-
Gross carrying amounts as at 31 December 2023	168,516,321	2,642,582	3,879,949	55,290	175,094,142

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (Continued)

	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
Gross carrying amounts as at					
1 January 2022	154,981,805	1,865,832	1,513,970	67,858	158,429,465
Originated or purchased	65,441,433	–	–	–	65,441,433
Derecognition	(56,370,799)	(691,398)	(281,754)	(5,986)	(57,349,937)
Write-offs or disposals	–	–	(562,252)	–	(562,252)
Transfers	(3,280,260)	1,289,286	1,990,974	–	–
Transfer from Stage I to Stage II	(2,018,891)	2,018,891	–	–	–
Transfer from Stage I to Stage III	(1,605,014)	–	1,605,014	–	–
Transfer from Stage II to Stage I	304,630	(304,630)	–	–	–
Transfer from Stage II to Stage III	–	(470,254)	470,254	–	–
Transfer from Stage III to Stage II	–	45,279	(45,279)	–	–
Transfer from Stage III to Stage I	39,015	–	(39,015)	–	–
Gross carrying amounts as at					
31 December 2022	160,772,179	2,463,720	2,660,938	61,872	165,958,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income

Discounted bills and forfaiting	Year ended 31 December 2023			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2023	85,293,398	–	–	85,293,398
Originated or purchased	127,062,711	–	–	127,062,711
Derecognition	(85,293,398)	–	–	(85,293,398)
Write-offs or disposals	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at 31 December 2023	127,062,711	–	–	127,062,711

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at				
1 January 2022	91,762,237	–	–	91,762,237
Originated or purchased	85,293,398	–	–	85,293,398
Derecognition	(91,762,237)	–	–	(91,762,237)
Write-offs or disposals	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at				
31 December 2022	85,293,398	–	–	85,293,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
Government bonds	9,935,117	7,078,492
Bonds issued by policy banks	4,338,775	6,317,196
Bonds issued by financial institutions	1,077,329	1,038,337
Certificates of deposit issued by other financial institutions	13,312,375	1,548,552
Assets backed securities issued by other banks and non-bank financial institutions	38,358	38,874
Corporate bonds	892,507	5,042,726
Trust and asset management plans	5,263,645	5,263,008
Fund investments	29,078,257	49,309,910
Other investments	3,861,899	6,337,433
Total	67,798,262	81,974,528

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2023	2022
Government bonds	30,568,214	23,900,300
Bonds issued by policy banks	78,021,519	35,726,694
Bonds issued by financial institutions	5,930,094	1,186,940
Assets backed securities issued by other banks and non-bank financial institutions	7,180	81,257
Corporate bonds	2,148,530	2,013,825
Certificates of deposit issued by other financial institutions	2,955,042	1,791,148
Trust and asset management plans (i)	4,601,064	5,010,522
Interest receivable	1,936,177	1,234,569
Total	126,167,820	70,945,255

- (i) Trust and asset management plans as at 31 December 2023 were invested in credit assets, and mainly in stage 2 or stage 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2023			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2023	2,444	72,607	2,158,479	2,233,530
Originated or purchased	3,763	–	–	3,763
Derecognition or settlements	(1,111)	(68)	–	(1,179)
Remeasurement				
– Parameter changes	6,432	6,346	245,239	258,017
– Stage transfer	–	–	–	–
Write-offs or disposals	–	–	–	–
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2023	11,528	78,885	2,403,718	2,494,131

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows (continued):

	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2022	39,706	233,485	2,047,836	2,321,027
Originated or purchased	1,803	–	–	1,803
Derecognition or settlements	(24,974)	(217)	(70,947)	(96,138)
Remeasurement				
– Parameter changes	(14,091)	(160,661)	295,279	120,527
– Stage transfer	–	–	–	–
Write-offs or disposals	–	–	(113,689)	(113,689)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2022	2,444	72,607	2,158,479	2,233,530

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows:

	Year ended 31 December 2023			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2023	65,176,382	2,398,443	3,370,430	70,945,255
Originated or purchased	88,421,738	–	–	88,421,738
Derecognition	(33,512,482)	(20,841)	(367,458)	(33,900,781)
Write-offs or disposals	–	–	–	–
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	701,310	193	105	701,608
Gross carrying amounts as at 31 December 2023	120,786,948	2,377,795	3,003,077	126,167,820

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows (continued):

	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amounts as at				
1 January 2022	58,486,869	2,188,481	4,529,899	65,205,249
Originated or purchased	42,434,303	–	–	42,434,303
Derecognition	(35,682,080)	(1,880)	(942,654)	(36,626,614)
Write-offs or disposals	–	–	(113,689)	(113,689)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(62,710)	211,842	(103,126)	46,006
Gross carrying amounts as at				
31 December 2022	65,176,382	2,398,443	3,370,430	70,945,255

The assets in Stage III were mainly trust and asset management plans invested in credit assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

22 FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2023	2022
Government bonds	112,648,092	101,447,523
Bonds issued by policy banks	83,582,889	71,015,625
Bonds issued by financial institutions	6,447,797	6,288,235
Certificates of deposit issued by other financial institutions	3,016,246	3,563,947
Assets backed securities issued by other banks and non-bank financial institutions	521,800	2,667,965
Corporate bonds	1,067,064	1,571,587
Trust and asset management plans (i)	7,608,279	8,853,590
Interest receivable	3,986,762	2,971,826
Subtotal	218,878,929	198,380,298
Less :		
ECL allowance	(1,948,499)	(1,862,975)
Total	216,930,430	196,517,323

(i) Trust and asset management plans as at 31 December 2023 were invested in credit assets, and mainly in stage 2 or stage 3.

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2023			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2023	11,106	10,040	1,841,829	1,862,975
Originated or purchased	2,267	-	-	2,267
Derecognition or settlements	(3,126)	(366)	-	(3,492)
Remeasurement				
– Parameter changes	6,114	21,779	456,399	484,292
– Stage transfer	-	-	-	-
Write-offs or disposals	-	-	(397,543)	(397,543)
Transfers:	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2023	16,361	31,453	1,900,685	1,948,499

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

22 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(a) Movements in ECL allowance are summarised as follows (continued):

	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2022	19,638	177,881	1,374,825	1,572,344
Originated or purchased	5,569	–	–	5,569
Derecognition or settlements	(9,130)	(3,573)	(8,114)	(20,817)
Remeasurement				
– Parameter changes	(4,971)	(32,155)	454,258	417,132
– Stage transfer	–	–	489,496	489,496
Write-offs or disposals	–	–	(600,749)	(600,749)
Transfers:	–	(132,113)	132,113	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(132,113)	132,113	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2022	11,106	10,040	1,841,829	1,862,975

(b) The movements in gross carrying amount are summarised as follows:

	Year ended 31 December 2023			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amounts as at 1 January 2023	189,185,662	4,080,313	5,114,323	198,380,298
Originated or purchased	50,723,722	–	–	50,723,722
Derecognition	(29,987,538)	(21,920)	(55,742)	(30,065,200)
Write-offs or disposals	–	–	(1,174,827)	(1,174,827)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	692,486	229,788	92,662	1,014,936
Gross carrying amounts as at 31 December 2023	210,614,332	4,288,181	3,976,416	218,878,929

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

22 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(b) The movements in gross carrying amount are summarised as follows (continued):

	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amounts as at				
1 January 2022	147,879,281	6,606,349	4,491,417	158,977,047
Originated or purchased	75,393,298	–	–	75,393,298
Derecognition	(34,703,856)	(924,505)	(460,917)	(36,089,278)
Write-offs or disposals	–	–	(600,749)	(600,749)
Transfers:	–	(1,717,836)	1,717,836	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,717,836)	1,717,836	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	616,939	116,305	(33,264)	699,980
Gross carrying amounts as at				
31 December 2022	189,185,662	4,080,313	5,114,323	198,380,298

The assets in Stage III were mainly trust and asset management plans invested in credit assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

23 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2023	6,049,940	631,486	610,999	1,418,519	38,149	8,749,093
Additions	16,242	274,889	3,642	46,100	542	341,415
Transfer from construction in progress	33,958	(65,734)	24	31,776	-	24
Disposals	(208,762)	-	-	(106,422)	(12,903)	(328,087)
Other transfer-out	(17,749)	(30,251)	-	-	-	(48,000)
At 31 December 2023	5,873,629	810,390	614,665	1,389,973	25,788	8,714,445
Accumulated depreciation						
At 1 January 2023	4,116,138	-	569,900	1,103,650	24,859	5,814,547
Charge for the year	132,097	-	13,978	131,388	7,384	284,847
Disposals	(167,272)	-	(1,790)	(101,527)	(12,536)	(283,125)
Other transfer-out	(10,251)	-	-	-	-	(10,251)
At 31 December 2023	4,070,712	-	582,088	1,133,511	19,707	5,806,018
Net book value						
At 31 December 2023	1,802,917	810,390	32,577	256,462	6,081	2,908,427
At 1 January 2023	1,933,802	631,486	41,099	314,869	13,290	2,934,546

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

23 PROPERTY AND EQUIPMENT (CONTINUED)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2022	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Additions	6,269	455,038	1,591	83,897	3,867	550,662
Transfer from construction in progress	17,270	(119,460)	5	42,402	253	(59,530)
Disposals	(43,337)	-	(502)	(74,977)	(7,605)	(126,421)
Other transfer-out	(908)	-	-	-	-	(908)
At 31 December 2022	6,049,940	631,486	610,999	1,418,519	38,149	8,749,093
Accumulated depreciation						
At 1 January 2022	4,016,478	-	553,165	1,035,272	29,476	5,634,391
Charge for the year	139,412	-	17,237	140,548	2,764	299,961
Disposals	(39,639)	-	(502)	(72,170)	(7,381)	(119,692)
Other transfer-out	(113)	-	-	-	-	(113)
At 31 December 2022	4,116,138	-	569,900	1,103,650	24,859	5,814,547
Net book value						
At 31 December 2022	1,933,802	631,486	41,099	314,869	13,290	2,934,546
At 1 January 2022	2,054,168	295,908	56,740	331,925	12,158	2,750,899

The original value and net value of the fixed assets that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 31 December	
	2023	2022
Original value	1,524,377	1,563,354
Net value	585,862	664,428

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

24 GOODWILL

	At 1 January 2023	Additions	At 31 December 2023
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	At 1 January 2022	Additions	At 31 December 2022
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

ZZRCB	As at 31 December	
	2023	2022
Growth rate	2.80%	3.00%
Discount rate	15.12%	15.19%

CZRCB	As at 31 December	
	2023	2022
Growth rate	2.80%	3.00%
Discount rate	16.09%	16.68%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

24 GOODWILL (CONTINUED)

(i) impairment (continued)

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

The recoverable amounts of the ZZRCB's asset group would equal its carrying amount if growth rate were to change from 2.80% to 2.72%, or discount rate were to change from 15.12% to 15.17%, with all other variables held constant.

25 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	31 December 2023		31 December 2022	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	7,584,106	30,336,423	7,483,853	29,935,415
Provisions	1,121,770	4,487,082	1,081,569	4,326,278
Changes in the expected credit losses of financial assets at FVOCI	623,533	2,494,131	558,382	2,233,530
Changes in fair value of financial assets at FVOCI	547,077	2,188,307	626,555	2,506,216
Changes in the expected credit losses of loans and advances to customers at FVOCI	16,421	65,681	13,182	52,729
Changes in fair value of loans and advances to customers at FVOCI	109,000	436,000	130,652	522,602
Changes in fair value of financial assets at FVPL	916,491	3,665,965	701,598	2,806,392
Unrealised Losses	578,585	2,314,338	126,685	506,741
Staff salary and welfare payable	378,483	1,513,932	345,991	1,383,964
Lease liabilities	189,020	756,078	199,873	799,489
Others	60,177	240,710	33,786	135,141
Subtotal	12,124,663	48,498,647	11,302,126	45,208,497

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

25 DEFERRED INCOME TAXES (CONTINUED)

	31 December 2023		31 December 2022	
	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary difference	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary difference
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(623,533)	(2,494,131)	(558,382)	(2,233,530)
Changes in the fair value of financial assets at FVOCI	(54,016)	(216,065)	–	–
Changes in the expected credit losses of loans and advances to customers at FVOCI	(16,421)	(65,681)	(13,182)	(52,729)
Changes in fair value of financial assets at FVPL	(1,888)	(7,554)	(1,955)	(7,818)
Right-of-use asset	(166,720)	(666,882)	(199,812)	(799,248)
Adjustment of book value of assets and liabilities on the date of acquisition	(107,140)	(428,560)	(104,084)	(416,333)
Unrealized gains of foreclosed assets	(76)	(303)	(76)	(303)
Subtotal	(969,794)	(3,879,176)	(877,491)	(3,509,961)
Net deferred income tax	11,154,869	44,619,471	10,424,635	41,698,536

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 31 December	
	2023	2022
Balance at the end of the last year	10,424,635	7,665,004
Charged to profit or loss	953,770	2,541,551
Charged to other comprehensive income	(223,536)	218,080
At the end of the year	11,154,869	10,424,635

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS

	As at 31 December	
	2023	2022
Right-of-use assets (a)	1,643,483	1,717,861
Interest receivable	1,151,460	1,093,367
Receivables and payments	1,121,432	1,065,243
Settlement and clearing accounts	883,235	769,597
Foreclosed assets (b)	378,383	422,767
Assets to be settled	297,366	297,366
Intangible assets (c)	353,337	284,118
Long-term deferred expenses	82,234	85,717
Investment properties	24,889	32,017
Others	65,271	52,932
Total	6,001,090	5,820,985
Less: Allowance for impairment losses	(1,045,583)	(979,000)
Total	4,955,507	4,841,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS (CONTINUED)

(a) Right-of-use assets

	Properties and equipment	Land use rights	Total
Cost			
As at 1 January 2023	1,358,511	1,125,367	2,483,878
Additions	219,985	–	219,985
Disposals	(271,438)	–	(271,438)
As at 31 December 2023	1,307,058	1,125,367	2,432,425
Accumulated depreciation			
As at 1 January 2023	645,570	120,447	766,017
Charge for the year	234,267	25,951	260,218
Disposals	(237,293)	–	(237,293)
As at 31 December 2023	642,544	146,398	788,942
Net book value			
As at 31 December 2023	664,514	978,969	1,643,483
As at 1 January 2023	712,941	1,004,920	1,717,861

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS (CONTINUED)

(a) Right-of-use assets (continued)

	Properties and equipment	Land use rights	Total
Cost			
As at 1 January 2022	1,431,215	1,085,031	2,516,246
Additions	121,856	45,202	167,058
Disposals	(194,560)	(4,866)	(199,426)
As at 31 December 2022	1,358,511	1,125,367	2,483,878
Accumulated depreciation			
As at 1 January 2022	551,127	94,090	645,217
Charge for the year	253,641	26,357	279,998
Disposals	(159,198)	–	(159,198)
As at 31 December 2022	645,570	120,447	766,017
Net book value			
As at 31 December 2022	712,941	1,004,920	1,717,861
As at 1 January 2022	880,088	990,941	1,871,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS (CONTINUED)

(b) Foreclosed assets

	As at 31 December	
	2023	2022
Houses and buildings	365,283	407,791
Others	13,100	14,976
Total	378,383	422,767
Less: Allowance for impairment losses	(94,402)	(136,694)
Total	283,981	286,073

Movements of allowance for repossessed assets are as follows:

	Houses, buildings and land use rights	Others	Total
At 1 January 2022	132,091	28	132,119
Charge for the year	4,575	–	4,575
At 31 December 2022	136,666	28	136,694
Charge for the year	(42,292)	–	(42,292)
At 31 December 2023	94,374	28	94,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS (CONTINUED)

(c) Intangible assets

	Software	Total
Cost		
At 1 January 2023	1,047,013	1,047,013
Additions	137,380	137,380
Transfer from construction in progress	18,385	18,385
Disposals	(53,479)	(53,479)
At 31 December 2023	1,149,299	1,149,299
Accumulated amortization		
At 1 January 2023	762,895	762,895
Amortization	86,546	86,546
Disposals	(53,479)	(53,479)
At 31 December 2023	795,962	795,962
Net book value		
At 31 December 2023	353,337	353,337
At 1 January 2023	284,118	284,118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

26 OTHER ASSETS (CONTINUED)

(c) Intangible assets (continued)

	Software	Total
Cost		
At 1 January 2022	871,370	871,370
Additions	137,573	137,573
Transfer from construction in progress	38,070	38,070
Disposals	–	–
At 31 December 2022	1,047,013	1,047,013
Accumulated amortization		
At 1 January 2022	671,205	671,205
Amortization	91,690	91,690
Disposals	–	–
At 31 December 2022	762,895	762,895
Net book value		
At 31 December 2022	284,118	284,118
At 1 January 2022	200,165	200,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

27 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits from banks operating in Mainland China	3,817,207	8,132,863
Deposits from other financial institutions operating in Mainland China	38,479,605	20,891,581
Interest payable	253,110	300,496
Total	42,549,922	29,324,940

28 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Placements from banks operating in Mainland China	5,380,000	3,340,000
Interest payable	3,587	2,939
Total	5,383,587	3,342,939

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2023	2022
Securities	51,693,252	38,701,065
Interest payable	7,867	16,254
Total	51,701,119	38,717,319

30 CUSTOMER DEPOSITS

	As at 31 December	
	2023	2022
Demand deposits		
– Corporate customers	144,151,620	168,622,668
– Personal customers	129,811,308	132,841,548
	273,962,928	301,464,216
Time deposits		
– Corporate customers	198,127,062	189,613,483
– Personal customers	438,771,792	385,529,069
	636,898,854	575,142,552
Pledged deposits	35,791,232	33,083,266
Other deposits	533,003	794,998
Total	947,186,017	910,485,032

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

31 DEBT SECURITIES ISSUED

	As at 31 December	
	2023	2022
2023 tier 2 capital bonds (a)	15,527,798	–
2018 tier 2 capital bonds(a)	–	10,377,180
Interbank certificates of deposit issued (b)	109,285,552	111,146,215
Financial bonds (c)	3,050,163	3,057,130
Total	127,863,513	124,580,525

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB15 billion in the domestic interbank bond market on 31 March 2023. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.70% and annual interest payment on 31 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid. The Bank exercised the option to early redeem the bonds on 23 March 2023.

(b) Interbank certificates of deposit issued

As at 31 December 2023, the outstanding balance was RMB109,285,552 thousand (31 December 2022: RMB111,146,215 thousand), with interest rates ranging from 1.99% to 2.83% (31 December 2022: from 1.81% to 2.75%), and is maturing in 2024.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued financial bonds in an amount of RMB3 billion in the domestic interbank bond market on 5 May 2022. The bonds have a maturity of 3 years, with a fixed coupon rate of 2.89% and annual interest payment on 5 May every year from 2023 to 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

32 OTHER LIABILITIES

	As at 31 December	
	2023	2022
Borrowings from other banks (a)	6,911,804	7,601,142
Salaries, bonuses, allowances and subsidies payable (b)	2,066,595	1,894,525
Bill rediscounting liabilities	1,449,993	1,405,226
Provisions (d)	793,306	632,530
Lease liabilities	750,951	783,156
Guarantee deposits from lessees (c)	668,242	949,918
Sundry tax payables	580,110	591,306
Settlement and clearing accounts	206,667	962,603
Deposit insurance premium payable	197,393	194,685
Deferred revenue	90,088	93,604
Deposits and guarantees received	70,509	48,368
Collection of foreclosed assets	16,586	16,428
Others	666,372	883,397
Total	14,468,616	16,056,888

(a) Borrowings from other banks

As at 31 December 2023, the wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with original maturity ranging from 1 to 60 months (31 December 2022: from 3 to 60 months) and interest rates ranging from 2.10% to 3.55% (31 December 2022: from 2.55% to 3.75%).

(b) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2023	2022
Salaries, bonuses and allowances	1,115,706	1,027,280
Social insurance	5,592	4,753
Housing fund	555	441
Employee benefits, etc.	170,246	118,085
Defined contribution plans	1,707	1,292
Defined benefit plans		
– Supplemental retirement benefits (i)	685,134	674,029
Early retirement benefits	87,655	68,645
Total	2,066,595	1,894,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

32 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

(i) Supplemental retirement benefits

During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (31 December 2022: Nil).

The movement of supplementary retirement benefits of the Group are as follows:

	As at 31 December	
	2023	2022
At 1 January	674,029	587,577
Benefits paid during the year	(46,937)	(54,577)
Defined benefit cost recognised in profit or loss	34,625	121,983
Defined benefit cost recognised in other comprehensive income	23,417	19,046
At 31 December	685,134	674,029

The principal actuarial assumptions adopted at the end of 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
Discount rate		
– Normal retirees	2.75%	2.31%–3.10%
– Early retirees	2.25%	3.10%
Expected growth rate of benefits	0–5%	0–5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, which published in Mainland China.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

32 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate As at 31 December	
	2023	2022
Change in basis points		
+50 basis points	(66,317)	(49,085)
-50 basis points	74,322	55,590
	Growth rate As at 31 December	
	2023	2022
Change in basis points		
+50 basis points	80,996	50,949
-50 basis points	(72,510)	(45,249)

(c) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(d) Provisions

As at 31 December 2023, the balance mainly represent expected credit loss allowance of off-balance sheet credit commitments including bank acceptances, letters of credit and guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

33 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	31 December 2023		31 December 2022	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	11,451,269	11,451,269	11,451,269	11,451,269
Issuance of shares	2,958,520	2,958,520	–	–
As at 31 December 2023/ 31 December 2022	14,409,789	14,409,789	11,451,269	11,451,269

According to the proposal of the board of directors on 25 April 2023 and the shareholders' resolution on 20 June 2023, the Bank applied for the issuance of not more than 0.676 billion H shares through non-public offering to investors overseas and not more than 2.964 billion domestic shares through private placement. The application for the Bank's capital increase plan was approved by the National Administration of Financial Regulation, Guangdong Bureau (Yue Jin Fu [2023] No. 95). As at 29 December 2023, the Bank received a total of RMB1,180,277 thousand from the H shareholders, including an increase of RMB549,590 thousand in share capital and a capital reserve of RMB629,558 thousand (after deducting the issuance cost of RMB1,129 thousand). As at 29 December 2023, the Bank received a total of RMB5,256,769 thousand from the domestic shareholders, including an increase of RMB2,408,930 thousand in share capital and a capital reserve of RMB2,845,168 thousand (after deducting the issuance cost of RMB2,671 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

34 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Number of shares	In original currency	In RMB	Maturity date	Conversion condition	Conversion
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.9%	USD20/share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
					Total		<u>9,839,115</u>			
					Less: Issuance fees		<u>18,381</u>			
					Book value		<u>9,820,734</u>			

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (a) From and including the issue date to but excluding the first reset date, at the rate of 5.9% per annum; and
- (b) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

34 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(ii) *Conditions to distribution of dividends*

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) *Mandatory conversion trigger events*

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank at a conversion price of HKD5.49 per share (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

34 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

(c) Movements of preference shares issued

	As at 1 January 2023	Movements		As at 31 December 2023
		Additions	Reductions	
Offshore preference shares				
Amount (shares)	71,500,000	–	–	71,500,000
In RMB, after deducting issuance fees	9,820,734	–	–	9,820,734

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

35 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the year ended 31 December 2023, an appropriation of 10% of the profit of the Bank determined under generally accepted accounting principles of the PRC ("PRC GAAP") was made to the statutory surplus reserve, in the amount of RMB193,662 thousand (31 December 2022: RMB300,297 thousand).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, starting from 1 July 2012, which should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

During the year ended 31 December 2023, the Group transferred RMB1,065,595 thousand (31 December 2022: RMB1,151,936 thousand) to the general reserve pursuant to the regulatory requirements in the PRC and the reserve has reached 1.5% of the year-end balance of its risk assets as required on 31 December 2023 and 31 December 2022.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position				Other comprehensive income in income statement			
	Attributable to the shareholders		Attributable to the non- controlling interests		Net amount transferred to the income statement	Attributable to the shareholders		Attributable to the non- controlling interests
	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023		Tax expense	after tax	
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on financial assets at fair value through other comprehensive income	(2,222,480)	351,392	(1,871,088)	966,125	(345,550)	(155,146)	351,392	114,037
Loss allowance on financial assets at fair value through other comprehensive income	1,717,328	204,663	1,921,991	273,554	-	(68,390)	204,663	501
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(54,646)	(23,367)	(78,013)	(23,417)	-	-	(23,367)	(50)
Total	(559,798)	532,688	(27,110)	1,216,262	(345,550)	(223,536)	532,688	114,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME (CONTINUED)

	Other comprehensive income in statement of financial position			Net amount transferred to the income statement	Other comprehensive income in income statement			
	As at 31 December 2021	Attributable to the shareholders of the Bank after tax	As at 31 December 2022		Amount before tax	Attributable to the shareholders of the Bank after tax	Attributable to the non-controlling interests after tax	
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on financial assets at fair value through other comprehensive income	(1,670,371)	(552,109)	(2,222,480)	(531,338)	(287,340)	204,488	(552,109)	(62,081)
Loss allowance on financial assets at fair value through other comprehensive income	1,757,735	(40,407)	1,717,328	(54,369)	-	13,592	(40,407)	(370)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(35,716)	(18,930)	(54,646)	(19,046)	-	-	(18,930)	(116)
Total	51,648	(611,446)	(559,798)	(604,753)	(287,340)	218,080	(611,446)	(62,567)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

37 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 31 December	
	2023	2022
Cash on hand	2,808,509	3,319,321
Surplus reserves with central bank	28,952,529	33,313,335
Deposits with banks and other financial institutions	10,774,869	4,758,672
Placements with banks and other financial institutions	2,366,616	900,000
Financial assets held under resale agreements	1,798,420	53,453,040
Total	46,700,943	95,744,368

38 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

(a) Bond lending arrangements

The Group entered into bond lending agreements with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss of carrying amount totalling RMB937,266 thousand as at 31 December 2023 (31 December 2022: nil) and financial assets at fair value through other comprehensive income of carrying amount totalling RMB8,499,860 thousand as at 31 December 2023 (31 December 2022: RMB6,480,897 thousand) and financial assets at amortized cost amount totalling RMB17,423,637 thousand as at 31 December 2023 (31 December 2022: RMB4,623,873 thousand). The counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them in the consolidated financial statements.

(b) Securitisation transactions

In the course of securitisation transactions, the Group sells assets to special purpose trusts and the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2023, there was no credit assets transferred by the Group to special purpose trusts (31 December 2022:nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

38 TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

(c) Transfer of beneficial rights of credit assets

In the course of beneficial rights of credit assets transfer transactions, the Group transfers beneficial rights of credit assets to special purpose trusts from whom the trust schemes are subsequently transferred to the investors. The Group may subscribe some trust funds in these businesses, thus reserving part of risks and rewards of transferred beneficial rights of credit assets. The Group analyses and judges whether to derecognise relevant beneficial rights of credit assets based on degree of retention of risks and rewards.

As at 31 December 2023, there was no beneficial rights of credit assets transferred by the Group to special purpose trusts (31 December 2022:nil).

39 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans and trust plans invested by the Group. The Group controls structured entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with structured entities and has the ability to use its power over structured entities to affect the amount of the Group's returns.

As at 31 December 2023, the balance of these consolidated structured entities were RMB57,475,547 thousand (31 December 2022: RMB38,860,252 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities

(i) *Unconsolidated structured entities managed by the Group*

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

During the year ended 31 December 2023, the Group recorded commission income as the manager of these wealth management products amounting to RMB173,760 thousand (31 December 2022: RMB239,341 thousand). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 31 December 2023, there was no balance of the above repurchase and placement transactions (31 December 2022: nil).

As at 31 December 2023, the balance of the unconsolidated non-guaranteed wealth management products managed by the Group amounted to RMB50,101,248 thousand (31 December 2022: RMB69,945,801 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group

As at 31 December 2023, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

At 31 December 2023	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	5,263,645	5,263,645
Fund investments	29,078,257	29,078,257
Other investments	2,278,158	2,278,158
Subtotal	36,620,060	36,620,060
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	4,976,700	4,976,700
Other investments	7,223	7,223
Subtotal	4,983,923	4,983,923
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	6,316,254	6,316,254
Other investments	521,897	521,897
Subtotal	6,838,151	6,838,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group (continued)

At 31 December 2022	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	5,263,008	5,263,008
Fund investments	49,309,910	49,309,910
Other investments	3,874,869	3,874,869
Subtotal	58,447,787	58,447,787
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	5,385,839	5,385,839
Other investments	81,346	81,346
Subtotal	5,467,185	5,467,185
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	7,333,742	7,333,742
Other investments	2,678,977	2,678,977
Subtotal	10,012,719	10,012,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

40 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan and credit card commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the year had the counterparties failed to perform as contracted.

	As at 31 December	
	2023	2022
Bank acceptances	52,096,208	51,148,909
Letters of credit issued	5,135,496	1,337,568
Guarantees issued	30,118,542	32,555,656
Loan and credit card commitments (i)	121,437,314	150,325,084
Subtotal	208,787,560	235,367,217
Allowance for credit commitments	(703,421)	(606,460)
Total	208,084,139	234,760,757

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

40 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating lease commitments

During the year, the Group leased certain of their office properties under lease arrangements, and the total future minimum lease payments in respect of leases not yet commenced to which the lessee is committed amounted to RMB17,569 thousand (31 December 2022: RMB1,284 thousand).

(c) Capital commitments

At the end of the year, the Group had capital commitments as follows:

	As at 31 December 2023	2022
Contracted, but not provided for	530,570	412,532

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December 2023	2022
Financial guarantees and credit related commitments	25,282,278	27,745,080

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2023, the expected total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB89,885 thousand (31 December 2022: RMB26,070 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

41 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 31 December	
	2023	2022
Entrusted deposits	(5,440,174)	(5,559,851)
Entrusted loans	5,440,174	5,559,851

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 31 December 2023, entrusted wealth management service of the Group amounted to RMB50,101,248 thousand (31 December 2022: RMB69,945,801 thousand).

42 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 31 December 2023 and 2022, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, borrowings from Central Bank, re-lending and time deposits. As at 31 December 2023, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB74,934,937 thousand (31 December 2022: RMB53,212,146 thousand).

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 31 December 2023 and 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

43 RELATED PARTY DISCLOSURES

(a) Related party relationships

On 31 December 2023, there are two shareholders directly holding 5% or above shares of the Bank (31 December 2022: two).

	Number of shares '000	Percentage of shares holding of the Bank %	Main business
Guangzhou Finance Holdings Group Co., Ltd. (i)	1,194,271	8.29%	Financial services industry
Guangzhou Metro Group Co., Ltd.	722,950	5.02%	Infrastructure industry
	1,917,221	13.30%	

(i) The shareholding proportion changed from 3.20% in 2022 to 8.29% in 2023 due to the capital increase event (see Note 33 for details).

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders

Major shareholders consist of shareholders of the bank with more than 5% (inclusive 5%) shares, and shareholders who hold less than 5% of the total shares but have the power to appoint a director in the Bank.

Balances at the end of the year	As at 31 December 2023	2022
Loans and advances to customers	10,493,487	9,935,929
Financial assets at fair value through profit or loss	50,512	800,422
Financial assets at amortised cost	101,511	100,000
Deposits from banks and other financial institutions	1,399	8,071
Customer deposits	4,957,516	8,383,595
Bank acceptance bills	–	50,000
Credit commitments	975,193	1,116,046

In 2023, the Group transferred credit assets amounted RMB2,762,575 thousand to related parties. Relevant credit assets had been de-recognized. Pricing of the asset transfer were determined after negotiation with counterparties, based on valuation assessed by independent valuers and considered market prices. As at 31 December 2023, the Group has fully received all of the consideration.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

43 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders (continued)

Transactions during the year	Year ended 31 December	
	2023	2022
Interest income	336,618	291,047
Interest expense	155,067	176,181
Fee and commission income	158	3,911
Fee and commission expense	–	841
Net trading gains	9,651	246

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

Balances at the end of the year	As at 31 December	
	2023	2022
Loans and advances to customers	3,784,337	2,427,485
Financial assets at fair value through profit or loss	–	60,484
Financial assets at amortised cost	267,624	304,252
Customer deposits	1,796,305	1,965,499
Deposits from banks and other financial institutions	814	259,087
Credit commitments	2,040,019	707,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

43 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(iii) Other related parties (continued)

Transactions during the year	Year ended 31 December	
	2023	2022
Interest income	92,897	45,746
Interest expense	73,362	84,467
Fee and commission income	19	831
Net trading gains	1,914	3,991

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Year ended 31 December	
	2023	2022
Salary, remuneration and benefits	23,446	24,200

Transactions with key management personnel and their closed family members are listed below:

Balances at the end of the year	As at 31 December	
	2023	2022
Loans and advances to customers	–	4,471
Customer deposits	69,893	86,286

Transactions during the year	Year ended 31 December	
	2023	2022
Interest income	–	277
Interest expense	644	159
Fee and commission income	20	897

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of risk management.

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Legal and Compliance Department (Anti-Money Laundering Center) and Asset Management Department take the lead in managing credit risk, market risk, operation risk and liquidity risk. The Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk;
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

The Group writes off loans, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation to recover the loan.

The written off amount of such loans by the Group were RMB3,991,763 thousand in 2023 (31 December 2022: RMB6,914,539 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management (continued)

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, securities companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of financial institutions. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;
- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

Fair value of collateral is usually required to be assessed by professional valuers permitted by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has implemented major loan-to-value ratio requirement based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Villas	60%
Apartments, office buildings, shops, factories, self-builds, carports, warehouses	50%
Land use rights	50%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);

Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;

Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds was set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

Significant increase in credit risk (continued)

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to lead the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

In 2023 and 2022, the Group did not determine any financial instruments as having low credit risk, the credit risk of which did not need to be evaluated on the reporting date, comparing with its initial recognition date.

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

Definition of default and credit impairment (continued)

Qualitative criteria

The borrower meets the “difficulty to repay” criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor’s financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower’s financial difficulties;
- A purchased or originated credit-impaired financial asset.

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms.

The Group has updated the PD and EAD in the ECL models based on the latest historical information and risk condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. Through the analysis of historical data, the Group identifies the macroeconomic indicators that affect the credit risk and ECL of various portfolio. Macroeconomic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI), Money Supply (M2) and Completed Investment in Real Estate Development, etc. The Group obtained the key macroeconomic factors from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgments to determine economic forecasts and weighting scheme under various economic scenarios.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses the results.

The values of the core macroeconomic indicators used to evaluate expected credit losses on 31 December 2023 are as follows:

Item	Range
GDP Annual Percentage Change ("GDP")	1.84%~7.9%
Consumer Price Index month on month ("CPI")	0.06%~3.24%

In 2023 and 2022, the Group has taken into account the impact of changes in different economic scenarios to the ECL model. The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. The weightings for the three scenarios remain 80%, 10% and 10% respectively.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2023, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	17,683,900	4,791,452	4,442,630
ECL under base scenario	17,672,422	4,784,948	4,442,085
Difference in amount	11,478	6,504	545
Difference in percentage	0%	0%	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	17,683,900	4,791,452	4,442,630
ECL under optimistic scenario	16,731,427	4,325,301	4,426,535
Difference in amount	952,473	466,151	16,095
Difference in percentage	5%	10%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	17,683,900	4,791,452	4,442,630
ECL under pessimistic scenario	18,728,200	5,319,719	4,461,988
Difference in amount	(1,044,300)	(528,267)	(19,358)
Difference in percentage	-6%	-11%	0%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2023
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	26,715,504
Total amount of ECL allowance and provisions recognised in balance sheet	28,744,828
Difference in amount	(2,029,324)
Difference in percentage	-7%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

As at 31 December 2022, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under base scenario	18,994,339	3,793,914	4,096,101
Difference in amount	92,038	26,488	404
Difference in percentage	0%	1%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under optimistic scenario	17,129,461	2,792,970	4,078,191
Difference in amount	1,956,916	1,027,432	18,314
Difference in percentage	10%	27%	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under pessimistic scenario	21,722,443	4,852,630	4,118,049
Difference in amount	(2,636,066)	(1,032,228)	(21,544)
Difference in percentage	-14%	-27%	-1%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2022
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	27,587,628
Total amount of ECL allowance and provisions recognised in balance sheet	28,641,002
Difference in amount	(1,053,374)
Difference in percentage	-4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Grouping for ECL allowance

The Group classified the exposures with similar characteristics when collectively assessing the ECL allowance.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal residential mortgages, credit cards overdraft)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the appropriateness of grouping regularly.

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December	
	2023	2022
Deposits with central bank	78,055,338	83,936,814
Deposits with banks and other financial institutions	14,942,725	7,764,638
Placements with banks and other financial institutions	55,472,499	43,468,970
Financial assets held under resale agreements	23,205,250	57,474,333
Loans and advances to customers		
– at amortized cost	581,845,866	583,824,468
– at fair value through other comprehensive income	127,062,711	85,293,398
Financial assets at amortized cost	216,930,430	196,517,323
Financial assets at fair value through other comprehensive income	126,167,820	70,945,255
Other financial assets	2,401,150	2,312,517
Total	1,226,083,789	1,131,537,716
Credit commitments	208,084,139	234,760,757

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2023, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Corporate loans	31 December 2023				Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III			
Credit rating						
A- to AAA	278,561,725	–	–	–	–	278,561,725
B to BBB	149,716,896	36,741,729	–	–	–	186,458,625
C to CCC	–	28,282,243	–	–	–	28,282,243
D/Default	–	–	26,951,824	18,571	–	26,970,395
Unrated	30,340,253	4,006,975	1,603,890	–	–	35,951,118
Total	458,618,874	69,030,947	28,555,714	18,571	–	556,224,106
Expected credit losses allowance	(3,087,409)	(4,971,411)	(9,558,461)	(938)	–	(17,618,219)
Net carrying amount	455,531,465	64,059,536	18,997,253	17,633	–	538,605,887

Personal loans	31 December 2023				Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III			
Overdue days						
Not overdue	168,435,373	522,561	32,266	–	–	168,990,200
0 to 30 days	80,948	1,151,518	9,097	–	–	1,241,563
30 to 60 days	–	663,213	40,092	–	–	703,305
60 to 90 days	–	305,290	294,806	–	–	600,096
More than 90 days/Default	–	–	3,503,688	55,290	–	3,558,978
Total	168,516,321	2,642,582	3,879,949	55,290	–	175,094,142
Expected credit losses allowance	(1,540,628)	(645,268)	(2,605,319)	(237)	–	(4,791,452)
Net carrying amount	166,975,693	1,997,314	1,274,630	55,053	–	170,302,690

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2022, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Corporate loans	31 December 2022			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Credit rating					
A- to AAA	246,483,716	–	–	–	246,483,716
B to BBB	155,976,143	10,480,605	–	–	166,456,748
C to CCC	–	43,392,432	–	–	43,392,432
D/Default	–	–	32,210,984	27,422	32,238,406
Unrated	33,350,252	2,904,917	1,186,736	–	37,441,905
Total	435,810,111	56,777,954	33,397,720	27,422	526,013,207
Expected credit losses allowance	(3,259,927)	(4,160,147)	(11,612,443)	(1,131)	(19,033,648)
Net carrying amount	432,550,184	52,617,807	21,785,277	26,291	506,979,559

Personal loans	31 December 2022			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Overdue days					
Not overdue	160,538,144	695,138	40,643	388	161,274,313
0 to 30 days	234,035	1,038,763	12,565	–	1,285,363
30 to 60 days	–	631,355	31,611	–	662,966
60 to 90 days	–	98,464	333,337	–	431,801
More than 90 days/Default	–	–	2,242,782	61,484	2,304,266
Total	160,772,179	2,463,720	2,660,938	61,872	165,958,709
Expected credit losses allowance	(1,445,468)	(536,168)	(1,838,282)	(484)	(3,820,402)
Net carrying amount	159,326,711	1,927,552	822,656	61,388	162,138,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2023, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2023			
	Stage I	Stage II	Stage III	Total
Credit rating				
A- to AAA	58,560,804	–	–	58,560,804
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	1,858,792	1,858,792
Unrated ⁽¹⁾	152,053,528	4,288,181	2,117,624	158,459,333
Total	210,614,332	4,288,181	3,976,416	218,878,929
Expected credit losses allowance	(16,361)	(31,453)	(1,900,685)	(1,948,499)
Net carrying amount	210,597,971	4,256,728	2,075,731	216,930,430

Financial assets at fair value through other comprehensive income	31 December 2023			
	Stage I	Stage II	Stage III	Total
Credit rating				
A- to AAA	22,309,892	–	–	22,309,892
B to BBB	–	–	–	–
C to CCC	–	–	245,551	245,551
D/Default	–	–	1,699,510	1,699,510
Unrated ⁽¹⁾	98,477,056	2,377,795	1,058,016	101,912,867
Total	120,786,948	2,377,795	3,003,077	126,167,820

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2022, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2022			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	40,161,923	–	–	40,161,923
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,097,834	2,097,834
Unrated ⁽¹⁾	149,023,739	4,080,313	3,016,489	156,120,541
Total	189,185,662	4,080,313	5,114,323	198,380,298
Expected credit losses allowance	(11,106)	(10,040)	(1,841,829)	(1,862,975)
Net carrying amount	189,174,556	4,070,273	3,272,494	196,517,323

Financial assets at fair value through other comprehensive income	31 December 2022			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	7,226,439	–	–	7,226,439
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,311,576	2,311,576
Unrated ⁽¹⁾	57,949,943	2,398,443	1,058,854	61,407,240
Total	65,176,382	2,398,443	3,370,430	70,945,255

- (1) Unrated financial assets in stage I mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies and trust and asset management plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	As at 31 December	
	2023	2022
Financial assets at fair value through profit or loss	67,798,262	81,974,528

(v) Loans and advances to customers

By industry	31 December 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	119,442,141	16.33%	124,902,639	18.06%
Real estate	53,115,517	7.26%	56,756,708	8.20%
Manufacturing	50,109,773	6.85%	48,220,920	6.97%
Wholesale and retail	49,808,039	6.81%	58,404,138	8.44%
Construction	35,959,772	4.92%	37,123,198	5.36%
Resident services, repairing and other services	20,155,781	2.76%	20,926,021	3.02%
Transportation, warehouse and postal services	16,740,309	2.29%	17,204,006	2.49%
Water, environment and public facilities management	12,324,831	1.69%	9,178,737	1.33%
Education	11,447,332	1.57%	12,504,828	1.81%
Hotel and catering	10,893,699	1.49%	13,181,560	1.90%
Agriculture, forestry, farming and fishery	10,806,996	1.48%	10,971,137	1.59%
Financial services	10,086,563	1.38%	6,633,569	0.96%
Energy and utilities	7,615,457	1.04%	4,629,569	0.67%
Information transmission, software and IT services	7,352,432	1.01%	7,112,736	1.03%
Culture, sports and entertainment	4,153,879	0.57%	4,469,689	0.65%
Healthcare and social welfare	2,057,846	0.28%	2,407,471	0.35%
Others	6,886,518	0.94%	5,957,737	0.84%
Subtotal	428,956,885	58.67%	440,584,663	63.67%
Discounted bills and forfaiting	127,267,221	17.40%	85,428,544	12.35%
Personal loans	175,094,142	23.93%	165,958,709	23.98%
Total	731,318,248	100.00%	691,971,916	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

By geography	As at 31 December	
	2023	2022
Guangzhou	607,320,752	577,551,252
Pearl River Delta (except Guangzhou)	53,455,028	42,975,618
Guangdong Province (except Pearl River Delta)	42,435,373	42,137,968
Central China	19,565,137	19,923,704
Western China	2,136,749	2,340,816
Yangtze River Delta	2,031,256	2,207,287
North-east China	540,599	535,214
Bohai Rim	348,648	703,127
Others	3,484,706	3,596,930
Total	731,318,248	691,971,916

By collateral type	As at 31 December	
	2023	2022
Unsecured loans	197,625,381	159,839,446
Guaranteed loans	170,588,388	163,524,687
Collateralised loans	330,312,257	331,676,968
Pledged loans	32,792,222	36,930,815
Total	731,318,248	691,971,916

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2023					
Unsecured loans	382,925	603,557	916,976	121,270	2,024,728
Guaranteed loans	9,893,719	1,687,188	3,516,019	142,213	15,239,139
Collateralised loans	14,575,818	2,628,303	2,141,202	118,510	19,463,833
Pledged loans	5,027,415	658,074	368,978	1,636	6,056,103
Total	29,879,877	5,577,122	6,943,175	383,629	42,783,803

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2022					
Unsecured loans	422,577	615,607	422,683	41,448	1,502,315
Guaranteed loans	4,276,886	2,881,272	3,115,741	2,625,975	12,899,874
Collateralised loans	7,065,497	3,211,487	1,519,233	128,319	11,924,536
Pledged loans	195,063	379,153	32,362	2,319	608,897
Total	11,960,023	7,087,519	5,090,019	2,798,061	26,935,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality

As at 31 December 2023, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2023				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Deposits with central bank	78,055,338	–	–	–	78,055,338
Deposits with banks and other financial institutions	14,943,171	–	–	–	14,943,171
Placements with banks and other financial institutions	55,451,407	–	490,142	–	55,941,549
Financial assets held under resale agreements	23,219,352	–	–	–	23,219,352
Loans and advances to customers	627,135,195	71,673,529	32,435,663	73,861	731,318,248
Financial assets at amortized cost	210,614,332	4,288,181	3,976,416	–	218,878,929
Financial assets at fair value through other comprehensive income	120,786,948	2,377,795	3,003,077	–	126,167,820
Other financial assets	2,594,527	270,689	189,651	–	3,054,867
Total	1,132,800,270	78,610,194	40,094,949	73,861	1,251,579,274

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

As at 31 December 2022, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2022				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Deposits with central bank	83,936,814	–	–	–	83,936,814
Deposits with banks and other financial institutions	7,766,765	–	21,378	–	7,788,143
Placements with banks and other financial institutions	43,360,644	–	571,106	–	43,931,750
Financial assets held under resale agreements	57,474,333	–	–	–	57,474,333
Loans and advances to customers	596,582,290	59,241,674	36,058,658	89,294	691,971,916
Financial assets at amortized cost	189,185,662	4,080,313	5,114,323	–	198,380,298
Financial assets at fair value through other comprehensive income	65,176,382	2,398,443	3,370,430	–	70,945,255
Other financial assets	2,457,743	188,935	210,893	–	2,857,571
Total	1,045,940,633	65,909,365	45,346,788	89,294	1,157,286,080

Loans and advances for stage I and II

	31 December 2023	
	Stage I	Stage II
Not overdue	623,273,304	53,645,750
Overdue		
Within 1 month	3,861,891	13,779,164
1 to 2 months	–	3,582,479
2 to 3 months	–	666,136
Total	627,135,195	71,673,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Loans and advances for stage I and II (continued)

	31 December 2022	
	Stage I	Stage II
Not overdue	595,533,508	51,544,212
Overdue		
Within 1 month	1,048,782	6,528,247
1 to 2 months	–	1,051,842
2 to 3 months	–	117,373
Total	596,582,290	59,241,674

Loans and advances that are overdue but still in Stage I and II/unimpaired

As at the balance sheet date, the ageing of loans and advances overdue but still in Stage I and II/unimpaired is as follows:

	As at 31 December	
	2023	2022
Overdue		
Within 1 month	17,641,055	7,577,029
1 to 2 months	3,582,479	1,051,842
2 to 3 months	666,136	117,373
Total	21,889,670	8,746,244

As at 31 December 2023, the fair value of the collateral held by the Group for overdue but still in Stage I and II/unimpaired loans was RMB29,642,246 thousand, including land, property, machinery and other assets (31 December 2022: RMB11,479,551 thousand).

Stage III/impairment of loans and advances

As at 31 December 2023, the fair value of the collateral held by the Group for the Stage III/ impaired loans were RMB21,409,223 thousand, including land, property, machinery and equipment and other assets (31 December 2022: RMB20,747,801 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Restructuring loans and advances

As at 31 December 2023, the book value of the Group's restructuring loans and advances was RMB26,077,922 thousand (31 December 2022: RMB23,003,540 thousand).

As at 31 December 2023, the book value of the Group's restructuring loans and advances in stage I was RMB1,484,135 thousand (31 December 2022: RMB1,215,066 thousand).

Credit rating assessed by a rating agency at the balance sheet date

The RMB bonds of the Group are mainly rated by major credit rating agencies in the PRC. Foreign currency bonds refer mainly to Standard & Poor's (S & P) ratings.

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2023				
Medium-term and long-term bonds:				
AAA	78,790	58,205,807	22,189,198	80,473,795
A to AA+	1,128,199	354,997	120,694	1,603,890
B to BB+	15,463	–	–	15,463
C to CC+	270,968	–	404,172	675,140
No rating ⁽¹⁾ :	14,899,930	149,407,306	95,041,966	259,349,202
Other no rating investments	51,404,912	10,910,819	8,411,790	70,727,521
Total	67,798,262	218,878,929	126,167,820	412,845,011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Credit rating assessed by a rating agency at the balance sheet date (continued)

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2022				
Medium-term and long-term bonds:				
AAA	123,852	39,804,402	7,155,819	47,084,073
A to AA+	1,120,789	357,521	70,620	1,548,930
B to BB+	15,882	–	–	15,882
C to CC+	285,501	–	383,016	668,517
No rating ⁽¹⁾ :	19,439,835	148,603,026	57,949,961	225,992,822
Other no rating investments	60,988,669	9,615,349	5,385,839	75,989,857
Total	81,974,528	198,380,298	70,945,255	351,300,081

(1) No rating debt securities mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

31 December 2023	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	32,035,446	-	-	-	-	-	48,828,401	80,863,847
Deposits with banks and other financial institutions ⁽¹⁾	79,500	11,530,841	34,191,634	12,624,823	34,698,565	495,111	-	-	93,620,474
Financial assets at fair value through profit or loss	5,609,978	29,048,757	1,469,444	5,478,028	17,756,912	5,670,847	1,038,769	1,725,527	67,798,262
Financial assets at amortized cost	2,061,363	-	3,541,680	6,333,686	15,032,696	97,852,543	92,108,462	-	216,930,430
Financial assets at fair value through other comprehensive income	2,974,744	-	859,028	2,812,221	7,177,540	82,717,427	29,626,860	-	126,167,820
Loans and advances to customers	32,899,787	-	42,442,635	86,049,471	234,844,182	211,515,593	101,156,909	-	708,908,577
Other financial assets	788,984	-	469,601	539,591	155,538	397,268	50,033	-	2,401,015
Total financial assets	44,414,356	72,615,044	82,974,022	113,837,820	309,665,433	398,648,789	223,981,033	50,553,928	1,296,690,425
Financial liabilities:									
Due to central bank	-	-	1,870,423	11,188,212	14,417,216	-	-	-	27,475,851
Deposits from banks and other financial institutions ⁽²⁾	-	7,209,120	52,245,249	16,632,339	22,832,920	715,000	-	-	99,634,628
Financial liabilities at fair value through profit or loss	-	4,324	-	-	-	-	-	-	4,324
Customer deposits ⁽³⁾	-	290,762,061	39,412,327	97,897,959	231,055,248	267,408,291	125,193	20,524,938	947,186,017
Lease liabilities	-	-	16,187	32,375	154,479	477,705	70,205	-	750,951
Debt securities issued	-	-	8,791,401	36,306,219	64,187,932	3,050,163	15,527,798	-	127,863,513
Other financial liabilities	6,941	204,493	962,533	1,336,761	6,203,997	194,627	14,146	575,797	9,499,295
Total financial liabilities	6,941	298,179,998	103,298,120	163,393,865	338,851,792	271,845,786	15,737,342	21,100,735	1,212,414,579
Net liquidity gap	44,407,415	(225,564,954)	(20,324,098)	(49,556,045)	(29,186,359)	126,803,003	208,243,691	29,453,193	84,275,846

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (continued):

31 December 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	36,794,339	-	-	-	-	-	50,461,796	87,256,135
Deposits with banks and other financial institutions ⁽¹⁾	150,000	5,689,700	64,800,335	9,427,612	28,640,294	-	-	-	108,707,941
Financial assets at fair value through profit or loss	7,244,651	49,293,907	3,319,701	2,648,542	9,025,868	6,942,301	1,002,583	2,496,975	81,974,528
Financial assets at amortized cost	3,093,045	-	1,298,908	3,656,839	16,401,938	96,347,626	75,718,967	-	196,517,323
Financial assets at fair value through other comprehensive income	3,365,920	-	614,206	1,105,007	4,081,098	40,347,063	21,431,961	-	70,945,255
Loans and advances to customers	17,934,471	-	35,546,177	48,966,985	269,100,539	195,887,631	101,682,063	-	669,117,866
Other financial assets	780,631	-	916,803	31,233	141,738	361,857	80,255	-	2,312,517
Total financial assets	32,568,718	91,777,946	106,496,130	65,836,218	327,391,475	339,886,478	199,915,829	52,958,771	1,216,831,565
Financial liabilities:									
Due to central bank	-	-	2,358,964	7,230,898	10,872,431	-	-	-	20,462,293
Deposits from banks and other financial institutions ⁽²⁾	-	4,087,332	38,814,529	15,834,827	11,157,510	1,491,000	-	-	71,385,198
Financial liabilities at fair value through profit or loss	-	4,005	-	-	-	-	-	-	4,005
Customer deposits ⁽³⁾	-	323,835,844	26,173,882	75,243,369	209,072,726	256,899,493	199,991	19,059,727	910,485,032
Lease liabilities	-	-	18,307	36,614	165,742	503,890	58,603	-	783,156
Debt securities issued	-	-	11,137,663	42,904,627	57,539,763	2,999,330	9,999,142	-	124,580,525
Other financial liabilities	-	13,203	2,348,381	1,094,680	6,683,488	422,088	116,947	410,183	11,088,970
Total financial liabilities	-	327,940,384	80,851,726	142,345,015	295,491,660	262,315,801	10,374,683	19,469,910	1,138,789,179
Net liquidity gap	32,568,718	(236,162,438)	25,644,404	(76,508,797)	31,899,815	77,570,677	189,541,146	33,488,861	78,042,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2023	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	32,043,902	-	-	-	-	-	48,894,319	80,938,221
Deposits and placements with banks and other financial institutions ⁽¹⁾	79,500	11,533,658	34,233,488	12,897,725	35,294,666	514,302	-	-	94,553,339
Financial assets at fair value through profit or loss	5,609,978	29,048,757	1,469,938	5,483,168	18,757,104	5,280,546	1,038,976	1,725,527	68,413,994
Financial assets at amortized cost	3,962,048	-	3,595,118	6,771,273	18,377,852	115,601,919	101,242,737	-	249,550,947
Financial assets at fair value through other comprehensive income	2,974,744	-	966,164	2,833,745	8,635,674	92,657,221	31,730,760	-	139,798,308
Loans and advances to customers	32,899,787	-	44,079,912	91,644,310	256,152,178	255,538,563	145,879,562	-	826,194,312
Other financial assets	788,984	-	469,601	539,591	155,538	397,268	50,033	-	2,401,015
Total financial assets	46,315,041	72,626,317	84,814,221	120,169,812	337,373,012	469,989,819	279,942,068	50,619,846	1,461,850,136
Financial liabilities:									
Due to central bank	-	-	1,872,720	11,245,527	14,584,091	-	-	-	27,702,338
Deposits from banks and other financial institutions ⁽²⁾	-	7,209,378	52,249,830	16,753,224	23,089,917	766,612	-	-	100,068,961
Financial liabilities at fair value through profit or loss	-	4,324	-	-	-	-	-	-	4,324
Customer deposits ⁽³⁾	-	290,762,061	39,447,798	98,123,124	233,804,805	289,068,363	142,407	20,524,938	971,873,496
Lease liabilities	-	-	18,908	37,817	167,708	498,539	93,433	-	816,405
Debt securities issued	-	-	8,800,000	37,165,000	64,986,700	5,906,700	18,525,000	-	135,383,400
Other financial liabilities	6,941	204,493	962,847	1,343,581	6,271,518	215,699	14,146	575,797	9,595,022
Total financial liabilities	6,941	298,180,256	103,352,103	164,668,273	342,904,739	296,455,913	18,774,986	21,100,735	1,245,443,946
Net liquidity gap	46,308,100	(225,553,939)	(18,537,882)	(44,498,461)	(5,531,727)	173,533,906	261,167,082	29,519,111	216,406,190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	36,804,062	-	-	-	-	-	50,529,919	87,333,981
Deposits and placements with banks and other financial institutions ⁽¹⁾	150,000	5,690,302	64,839,557	9,537,433	29,395,517	-	-	-	109,612,809
Financial assets at fair value through profit or loss	7,244,651	49,293,907	3,325,393	2,702,431	9,113,347	7,216,487	1,003,139	2,496,975	82,396,330
Financial assets at amortized cost	4,722,264	-	1,314,698	3,935,282	18,938,124	104,058,507	82,303,293	-	215,272,168
Financial assets at fair value through other comprehensive income	3,365,920	-	961,621	1,142,396	5,205,598	46,466,684	23,897,761	-	81,039,980
Loans and advances to customers	17,934,471	-	37,308,927	54,640,838	296,727,482	237,593,865	152,067,981	-	796,273,564
Other financial assets	780,631	-	916,803	31,233	141,738	361,857	80,255	-	2,312,517
Total financial assets	34,197,937	91,788,271	108,666,999	71,989,613	359,521,806	395,697,400	259,352,429	53,026,894	1,374,241,349
Financial liabilities:									
Due to central bank	-	-	2,362,104	7,291,407	10,994,557	-	-	-	20,648,068
Deposits from banks and other financial institutions ⁽²⁾	-	4,119,635	38,819,766	15,870,687	13,537,106	1,491,000	-	-	73,838,194
Financial liabilities at fair value through profit or loss	-	4,005	-	-	-	-	-	-	4,005
Customer deposits ⁽³⁾	-	324,645,433	26,461,794	76,259,154	213,045,107	263,835,779	205,490	19,059,727	923,512,484
Lease liabilities	-	-	20,713	41,427	174,637	527,438	103,535	-	867,750
Debt securities issued	-	-	11,150,000	43,190,000	58,116,700	5,306,800	10,663,400	-	128,426,900
Other financial liabilities	-	13,203	2,349,313	1,100,776	6,785,806	455,628	116,947	410,183	11,231,856
Total financial liabilities	-	328,782,276	81,163,690	143,753,451	302,653,913	271,616,645	11,089,372	19,469,910	1,158,529,257
Net liquidity gap	34,197,937	(236,994,005)	27,503,309	(71,763,838)	56,867,893	124,080,755	248,263,057	33,556,984	215,712,092

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

- (1) Includes financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2023								
Credit commitments	26,215,445	10,588,954	18,335,578	46,615,924	62,104,058	44,224,180	-	208,084,139
31 December 2022								
Credit commitments	20,706,036	5,298,241	12,958,175	62,163,786	82,115,172	51,519,347	-	234,760,757

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices.

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies.

Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business. The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity.

A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, the actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk are not incorporated.

Currency	Exchange rate fluctuation %	Effect on net profit	
		2023	2022
USD	-1%	(11,397)	(9,855)
USD	1%	11,397	9,855
HKD	-1%	(9,742)	(1,508)
HKD	1%	9,742	1,508

While the table above indicates the effect on net profit of 1% change of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

The table below summarizes the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by original currency.

31 December 2023	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	80,817,245	18,667	11,681	16,254	80,863,847
Deposits and placements with banks and other financial institutions ⁽¹⁾	90,673,387	1,517,823	1,382,468	46,796	93,620,474
Loans and advances to customers	708,618,918	289,659	-	-	708,908,577
Financial assets at fair value through profit or loss	67,798,262	-	-	-	67,798,262
Financial assets at amortized cost	216,930,430	-	-	-	216,930,430
Financial assets at fair value through other comprehensive income	126,167,820	-	-	-	126,167,820
Other financial asset	2,399,953	1,062	-	-	2,401,015
Total financial asset	1,293,406,015	1,827,211	1,394,149	63,050	1,296,690,425
Liabilities:					
Due to central bank	27,475,851	-	-	-	27,475,851
Deposits and placements from banks and other financial institutions ⁽²⁾	99,634,628	-	-	-	99,634,628
Financial liabilities at fair value through profit or loss	4,324	-	-	-	4,324
Customer deposits	946,762,429	307,238	95,156	21,194	947,186,017
Lease liabilities	750,951	-	-	-	750,951
Debt securities issued	127,863,513	-	-	-	127,863,513
Other financial liabilities	9,498,930	355	6	4	9,499,295
Total financial liabilities	1,211,990,626	307,593	95,162	21,198	1,212,414,579
Net assets and liabilities position	81,415,389	1,519,618	1,298,987	41,852	84,275,846
Credit commitments	208,046,921	32,714	-	4,504	208,084,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2022	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	87,049,959	147,860	45,549	12,767	87,256,135
Deposits and placements with banks and other financial institutions ⁽¹⁾	107,392,878	805,435	264,852	244,776	108,707,941
Loans and advances to customers	668,202,128	915,738	–	–	669,117,866
Financial assets at fair value through profit or loss	81,974,528	–	–	–	81,974,528
Financial assets at amortized cost	196,517,323	–	–	–	196,517,323
Financial assets at fair value through other comprehensive income	70,945,255	–	–	–	70,945,255
Other financial asset	2,311,472	1,045	–	–	2,312,517
Total financial asset	1,214,393,543	1,870,078	310,401	257,543	1,216,831,565
Liabilities:					
Due to central bank	20,462,293	–	–	–	20,462,293
Deposits and placements from banks and other financial institutions ⁽²⁾	71,385,198	–	–	–	71,385,198
Financial liabilities at fair value through profit or loss	4,005	–	–	–	4,005
Customer deposits	909,560,696	555,721	109,354	259,261	910,485,032
Lease liabilities	783,156	–	–	–	783,156
Debt securities issued	124,580,525	–	–	–	124,580,525
Other financial liabilities	11,088,636	325	6	3	11,088,970
Total financial liabilities	1,137,864,509	556,046	109,360	259,264	1,138,789,179
Net assets and liabilities position	76,529,034	1,314,032	201,041	(1,721)	78,042,386
Credit commitments	234,742,698	18,059	–	–	234,760,757

⁽¹⁾ Includes financial assets held under resale agreements.

⁽²⁾ Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit and equity.

	Effect on net profit		Effect on equity	
	31 December 2023	2022	31 December 2023	2022
Change in basis points				
+100bps	(1,541,576)	(1,310,082)	(2,265,139)	(2,348,074)
-100bps	1,541,576	1,310,082	2,381,239	2,626,878

The sensitivity of the net profit is the effect of a reasonable possible change in interest rates on the net profit for one year, in respect of the financial assets and liabilities held at the end of the reporting period. The effect on other comprehensive income is calculated by revaluing the year end portfolio of fixed-rate FVOCI financial assets, based on a reasonable possible change in interest rates.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are repriced/due within one month (inclusive), within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced in the mid of the respective bands; (ii) there are parallel shifts in the yield curve; and (iii) there are no other changes in the portfolios of assets and liabilities. The Group considers that the assumptions do not reflect their capital utilisation and interest rate risk management policies. Therefore, the above impact may differ from the actual situation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Moreover, the above analysis is for illustration only and represents the effect of pro forma movements in net profit and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk.

	31 December 2023							Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Non-interest bearing	
Assets:								
Cash and deposits with central bank	78,029,165	-	-	-	-	-	2,834,682	80,863,847
Deposits and placements with banks and other financial institutions ⁽¹⁾	45,377,441	12,834,806	34,698,535	495,111	-	79,500	135,081	93,620,474
Loans and advances to customers	90,550,184	109,637,767	414,343,695	50,084,063	4,930,340	32,611,597	6,750,931	708,908,577
Financial assets at fair value through profit or loss	24,965,167	6,278,172	19,668,417	7,894,692	1,038,740	5,609,978	2,343,096	67,798,262
Financial assets at amortized cost	2,624,847	5,622,155	13,854,108	97,794,499	91,841,090	1,982,855	3,210,876	216,930,430
Financial assets at fair value through other comprehensive income	687,448	2,092,140	6,153,701	82,696,750	29,626,860	2,974,744	1,936,177	126,167,820
Other financial asset	-	-	-	-	-	-	2,401,150	2,401,150
Total financial asset	242,234,252	136,465,040	488,718,456	238,965,115	127,437,030	43,258,674	19,611,993	1,296,690,560
Liabilities:								
Due to central bank	1,855,070	11,072,430	14,264,795	-	-	-	283,556	27,475,851
Deposits and placements from banks and other financial institutions ⁽²⁾	59,441,585	16,632,339	22,832,920	715,000	-	-	12,784	99,634,628
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	4,324	4,324
Customer deposits	330,174,388	97,897,959	231,055,248	267,408,291	125,193	-	20,524,938	947,186,017
Lease liabilities	16,187	32,375	154,479	477,705	70,205	-	-	750,951
Debt securities issued	8,791,401	36,306,219	64,187,932	3,050,163	15,527,798	-	-	127,863,513
Other financial liabilities	-	2,250,000	4,385,000	225,624	-	-	2,638,671	9,499,295
Total financial liabilities	400,278,631	164,191,322	336,880,374	271,876,783	15,723,196	-	23,464,273	1,212,414,579
Total interest sensitivity gap	(158,044,379)	(27,726,282)	151,838,082	(32,911,668)	111,713,834	43,258,674	(3,852,280)	84,275,981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	31 December 2022							Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Non-interest bearing	
Assets:								
Cash and deposits with central bank	83,908,657	-	-	-	-	-	3,347,478	87,256,135
Deposits and placements with banks and other financial institutions ⁽¹⁾	70,364,554	9,427,612	28,640,294	-	-	150,000	125,481	108,707,941
Loans and advances to customers	87,628,420	64,137,169	430,789,812	55,738,411	7,423,980	17,913,685	5,486,389	669,117,866
Financial assets at fair value through profit or loss	49,817,957	2,624,585	9,002,205	9,470,237	1,002,583	7,244,651	2,812,310	81,974,528
Financial assets at amortized cost	429,672	2,997,415	15,094,729	96,664,283	75,266,566	3,092,832	2,971,826	196,517,323
Financial assets at fair value through other comprehensive income	478,729	938,159	3,503,395	39,992,541	21,431,961	3,365,901	1,234,569	70,945,255
Other financial asset	-	-	-	-	-	-	2,312,517	2,312,517
Total financial asset	292,627,989	80,124,940	487,030,435	201,865,472	105,125,090	31,767,069	18,290,570	1,216,831,565
Liabilities								
Due to central bank	2,335,860	7,169,662	10,770,729	-	-	-	186,042	20,462,293
Deposits and placements from banks and other financial institutions ⁽²⁾	42,582,171	15,836,306	11,156,031	1,491,000	-	-	319,690	71,385,198
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	4,005	4,005
Customer deposits	350,009,726	75,243,369	209,072,726	256,899,493	199,991	-	19,059,727	910,485,032
Lease liabilities	18,307	36,614	165,742	503,890	58,603	-	-	783,156
Debt securities issued	11,137,663	42,526,589	57,481,963	2,999,330	10,434,980	-	-	124,580,525
Other financial liabilities	-	2,055,000	5,240,918	257,856	-	-	3,535,196	11,088,970
Total financial liabilities	406,083,727	142,867,540	293,888,109	262,151,569	10,693,574	-	23,104,660	1,138,789,179
Total interest sensitivity gap	(113,455,738)	(62,742,600)	193,142,326	(60,286,097)	94,431,516	31,767,069	(4,814,090)	78,042,386

⁽¹⁾ Includes financial assets held under resale agreements.

⁽²⁾ Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet capital regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the National Administration of Financial Regulation, for supervisory purposes. The required information is filed with the National Administration of Financial Regulation on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

The Group's regulatory capital is managed by its financial department and consists of the followings:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 31 December	
	2023	2022
Net common equity tier 1 capital	77,748,667	69,847,686
Net tier 1 capital	87,988,429	80,065,872
Net capital	108,108,045	95,407,076
Risk-weighted assets	791,000,172	758,009,735
Common equity tier 1 capital adequacy ratio	9.83%	9.21%
Tier 1 capital adequacy ratio	11.12%	10.56%
Capital adequacy ratio	13.67%	12.59%

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	28,296,885	1,291,584	29,588,469
– Funds and other investments	30,351,785	–	7,858,008	38,209,793
Financial assets at fair value through other comprehensive income				
– Debt securities	–	120,810,149	380,970	121,191,119
– Other investments	–	–	4,976,701	4,976,701
Loans and advances at fair value through other comprehensive income	–	127,062,711	–	127,062,711
Total	30,351,785	276,169,745	14,507,263	321,028,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy: (Continued)

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	20,663,021	155,411	20,818,432
– Funds and other investments	51,314,331	–	9,841,765	61,156,096
Financial assets at fair value through other comprehensive income				
– Debt securities	–	65,294,800	264,616	65,559,416
– Other investments	–	–	5,385,839	5,385,839
Loans and advances at fair value through other comprehensive income	–	85,293,398	–	85,293,398
Total	51,314,331	171,251,219	15,647,631	238,213,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables present the changes in Level 3 assets for the year ended 31 December 2023 and 2022:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2023	155,411	9,841,765	264,616	5,385,839	15,647,631
Purchase	-	-	-	-	-
Transfer to Level 3	1,200,968	-	141,581	-	1,342,549
Total gains and losses					
– Profit or loss	(64,795)	(388,058)	-	-	(452,853)
– Other comprehensive income	-	-	(25,227)	(346,785)	(372,012)
Settlement	-	(1,595,699)	-	(62,353)	(1,658,052)
At 31 December 2023	1,291,584	7,858,008	380,970	4,976,701	14,507,263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables present the changes in Level 3 assets for the year ended 31 December 2023 and 2022: (continued)

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2022	60,175	10,198,103	470,973	6,080,934	16,810,185
Purchase	50,045	1,189,658	–	–	1,239,703
Transfer to Level 3	90,769	–	–	–	90,769
Total gains and losses					
– Profit or loss	(45,578)	(951,000)	20	84,015	(912,543)
– Other comprehensive income	–	–	(24,119)	(140,514)	(164,633)
Settlement	–	(594,996)	(182,258)	(638,596)	(1,415,850)
At 31 December 2022	155,411	9,841,765	264,616	5,385,839	15,647,631

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	31 December 2023	31 December 2022		
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	1,291,584	155,411	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Funds and other investments	7,858,008	9,841,765	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Debt securities	380,970	264,616	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other investments	4,976,701	5,385,839	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	14,507,263	15,647,631		

During the years ended 31 December 2023 and 2022, there were no significant changes in the valuation techniques.

As at 31 December 2023 and 2022, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the years of 2023 and 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments for which fair values are disclosed

As at 31 December 2023, financial assets and liabilities not presented at fair value on the consolidated statement of financial position mainly represent "Deposits with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued" (31 December 2022: same).

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 31 December	
	2023	2022
Carrying amount:		
Financial assets at amortized cost	216,930,430	196,517,323
Debt securities issued	127,863,513	124,580,525
Fair Value:		
Financial assets at amortized cost	222,770,356	201,183,958
Debt securities issued	128,092,480	124,775,292

46 EVENTS AFTER THE REPORTING PERIOD

The Group has no material events that require additional disclosure in its financial statements for the year ended 31 December 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

47 STATEMENT OF FINANCIAL POSITION OF THE BANK

	31 December 2023	31 December 2022
ASSETS		
Cash and deposits with central bank	66,463,675	69,687,319
Deposits with banks and other financial institutions	6,863,566	4,862,098
Placements with banks and other financial institutions	51,514,423	40,472,014
Financial assets held under resale agreements	19,719,645	57,474,333
Loans and advances to customers	625,215,646	583,098,894
Financial investments		
– Financial assets at fair value through profit or loss	67,517,869	81,926,386
– Financial assets at fair value through other comprehensive income	92,766,874	52,923,889
– Financial assets at amortized cost	204,090,408	178,287,294
Investment in subsidiaries	7,876,970	7,875,329
Property and equipment	1,801,565	1,813,564
Deferred tax assets	9,685,161	9,152,456
Other assets	5,158,146	4,914,056
Total assets	1,158,673,948	1,092,487,632
LIABILITIES		
Due to central bank	25,878,321	18,900,708
Deposits from banks and other financial institutions	52,159,043	40,474,301
Placements from banks and other financial institutions	4,000,051	2,000,051
Financial liabilities at fair value through profit or loss	4,324	4,005
Financial assets sold under repurchase agreements	31,597,837	27,960,716
Customer deposits	827,248,254	793,678,213
Income tax payable	–	1,445,723
Debt securities issued	127,863,513	124,580,525
Other liabilities	5,540,564	5,977,494
Total liabilities	1,074,291,907	1,015,021,736
EQUITY		
Share capital	14,409,789	11,451,269
Preference shares	9,820,734	9,820,734
Reserves	43,642,241	38,556,724
Retained earnings	16,509,277	17,637,169
Total equity	84,382,041	77,465,896
Total liabilities and equity	1,158,673,948	1,092,487,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

48 RESERVES OF THE BANK

The movements in reserves and retained profits of the Bank during the years 2023 and 2022 are set out below:

	Reserves				Total	Retained profits
	Capital reserve	Surplus reserve	General reserve	Other comprehensive income		
Balance at 1 January 2022	19,029,796	5,255,520	13,353,795	30,028	37,669,139	17,871,378
Net profit for the year	-	-	-	-	-	3,002,970
Other comprehensive income for the year	-	-	-	(532,474)	(532,474)	-
Contribution of shareholders	-	-	-	-	-	-
Shareholders' donation	5,636	-	-	-	5,636	-
Appropriation to surplus reserve	-	300,297	-	-	300,297	(300,297)
Appropriation to general reserve	-	-	1,114,126	-	1,114,126	(1,114,126)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,202,383)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(620,373)
Balance at 31 December 2022	19,035,432	5,555,817	14,467,921	(502,446)	38,556,724	17,637,169
Balance at 1 January 2023	19,035,432	5,555,817	14,467,921	(502,446)	38,556,724	17,637,169
Net profit for the year	-	-	-	-	-	1,936,619
Other comprehensive income for the year	-	-	-	390,920	390,920	-
Contribution of shareholders	3,474,726	-	-	-	3,474,726	-
Shareholders' donation	3,145	-	-	-	3,145	-
Appropriation to surplus reserve	-	193,662	-	-	193,662	(193,662)
Appropriation to general reserve	-	-	1,023,064	-	1,023,064	(1,023,064)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,202,383)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(645,402)
Balance at 31 December 2023	22,513,303	5,749,479	15,490,985	(111,526)	43,642,241	16,509,277

49 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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

1. LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity Ratio

	As at 31 December 2023	As at 31 December 2022
Liquidity ratio (RMB and foreign currency)	102.51%	101.76%

(2) Liquidity coverage ratio

	As at 31 December 2023	As at 31 December 2022
High-quality liquid assets	206,765.71	197,809.16
Net cash outflows in future 30 days	91,054.64	47,182.72
Liquidity coverage ratio (%)	227.08%	419.24%

(3) Net stable funding ratio

	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
Available stable funds	807,492.64	791,718.01	808,716.88
Required stable funds	718,879.94	710,877.49	675,171.36
Net stable funding ratio	112.33%	111.37%	119.78%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

2. CURRENCY CONCENTRATION

	As at 31 December 2023			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Subtotal
Spot assets	1,819.86	1,394.15	63.05	3,277.06
Spot liabilities	321.42	96.66	21.22	439.30
Net long/(short) position	1,498.44	1,297.49	41.83	2,837.76

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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

2. CURRENCY CONCENTRATION (CONTINUED)

	As at 31 December 2022			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,864.92	310.40	297.60	2,472.92
Spot liabilities	1,795.10	310.40	297.60	2,403.10
Net long/(short) position	69.82	–	–	69.82

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 31 December 2023 and 31 December 2022.

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 31 December 2023		Total
	Banks and other financial institutions	Non-bank private institutions	
Asia Pacific	4,680.84	289.24	4,970.08
of which attributed to Hong Kong	1,766.45	–	1,766.45
North and South America	345.99	–	345.99
Europe	16.39	–	16.39
Oceania	4.52	–	4.52
Total	5,047.74	289.24	5,336.98

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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

3. INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2022		Total
	Banks and other financial institutions	Non-bank private institutions	
Asia Pacific	2,201.86	914.73	3,116.59
of which attributed to Hong Kong	585.96	–	585.96
North and South America	252.10	–	252.10
Europe	13.91	–	13.91
Oceania	6.53	–	6.53
Total	2,474.40	914.73	3,389.13