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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

RESULTS ANNOUNCEMENT FOR THE YEAR 2023

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries (the “**Group**”) for the twelve months ended 31 December 2023 (the “**Annual Results**”). This Annual Results announcement contains the full text of the annual report of the Group for the twelve months ended 31 December 2023 and the contents were prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the International Financial Reporting Standards. The Annual Results have been reviewed by the audit committee of the Bank. This Annual Results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report for the twelve months ended 31 December 2023 will be despatched to H shareholders of the Bank by means selected by H shareholders of the Bank to receive the corporate communications and will be made available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Xie Wenhui

Chairman and Executive Director

Chongqing, the PRC, 28 March 2024

As at the date of this announcement, the executive directors of the Bank are Mr. Xie Wenhui, Mr. Sui Jun and Mr. Zhang Peizong; the non-executive directors of the Bank are Ms. Hu Chun and Mr. Yin Xianglin; and the independent non-executive directors of the Bank are Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

* *The Bank holds a financial licence number B0335H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code of 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

* *The Bank holds a financial licence number B0335H250000001 approved by the China Banking and Insurance Regulatory Authority and was authorised by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/ deposit-taking business in Hong Kong.*

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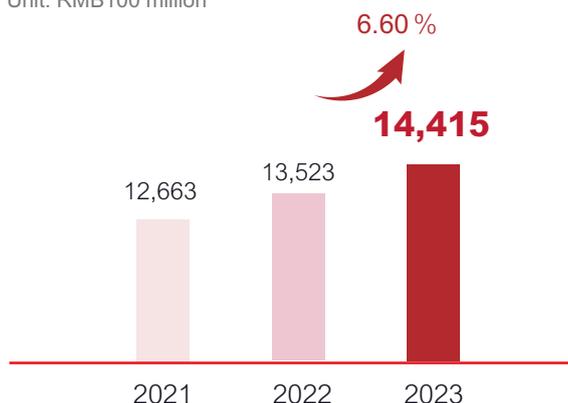
Chapter 14 Branches and Subsidiaries

Results Overview >>>

(on a consolidated basis)

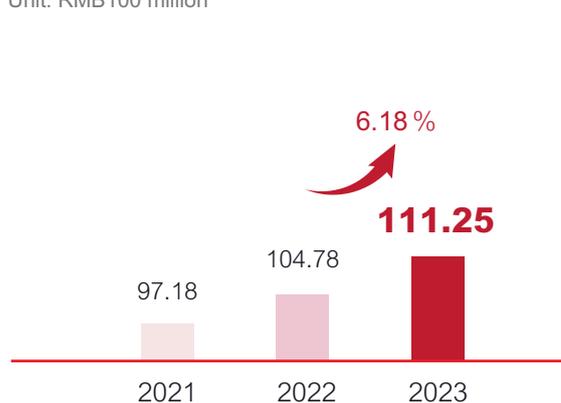
Total Assets

Unit: RMB100 million



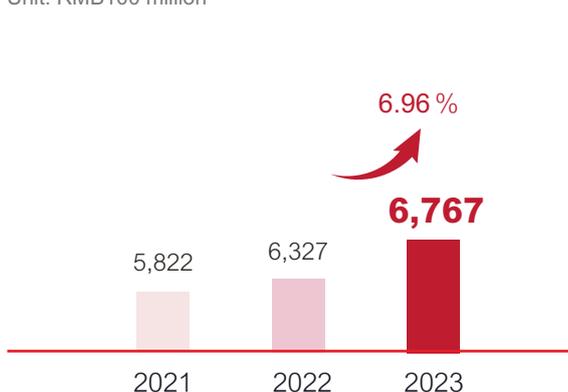
Net Profit

Unit: RMB100 million



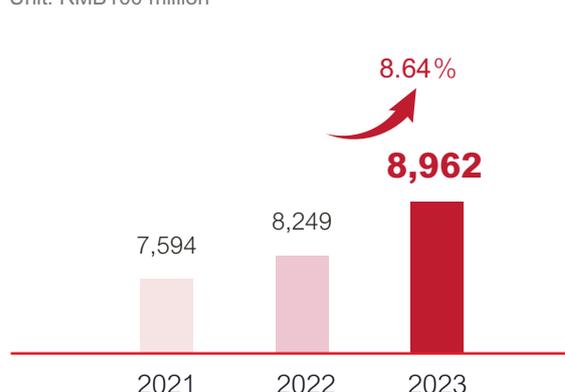
Various Loans

Unit: RMB100 million



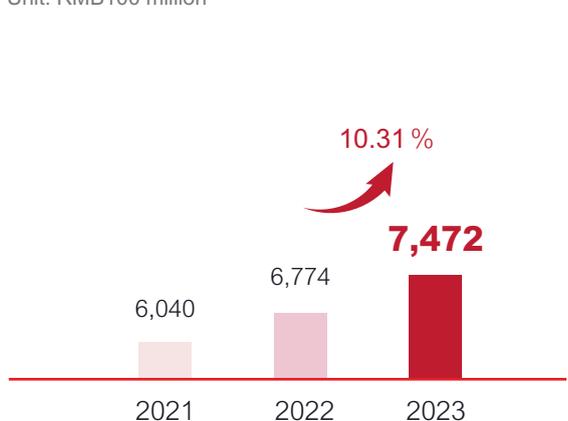
Various Deposits

Unit: RMB100 million



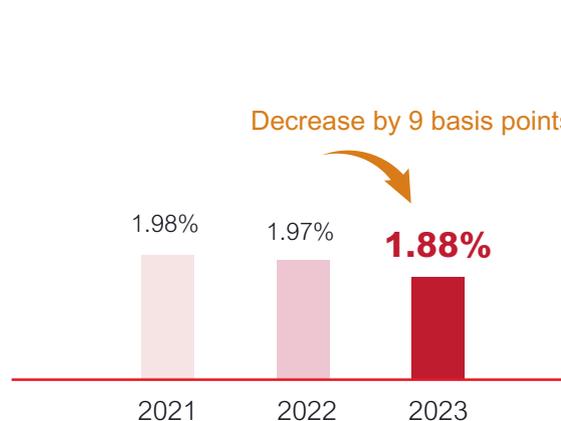
Personal Deposits

Unit: RMB100 million



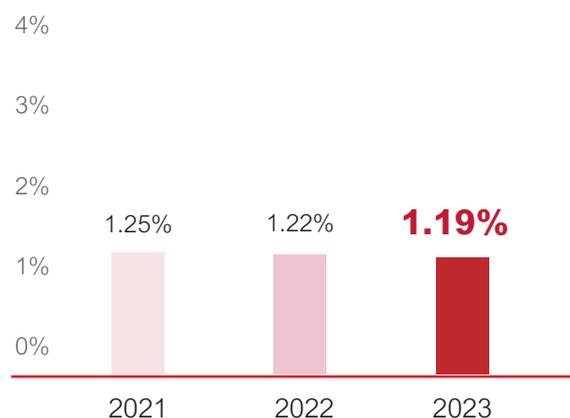
Interest Payment Rate on Deposits

Decrease by 9 basis points

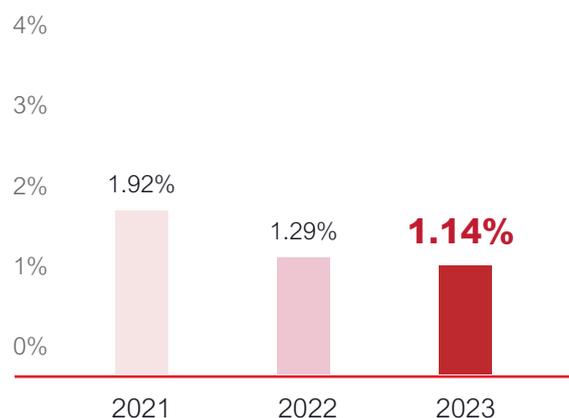


(on a consolidated basis)

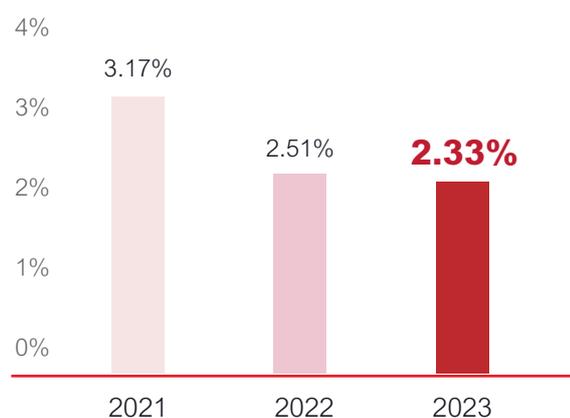
Percentage of Non-Performing Loans (NPL)



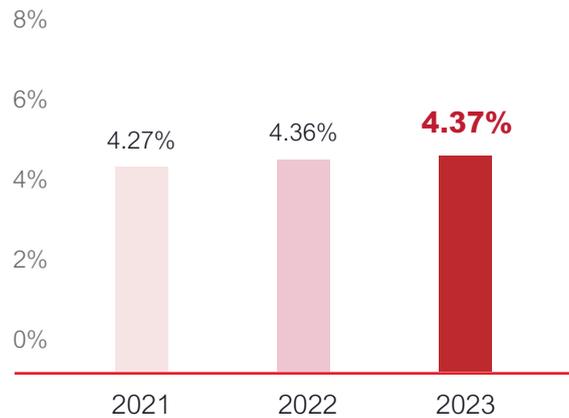
Percentage of Special Mention Loans



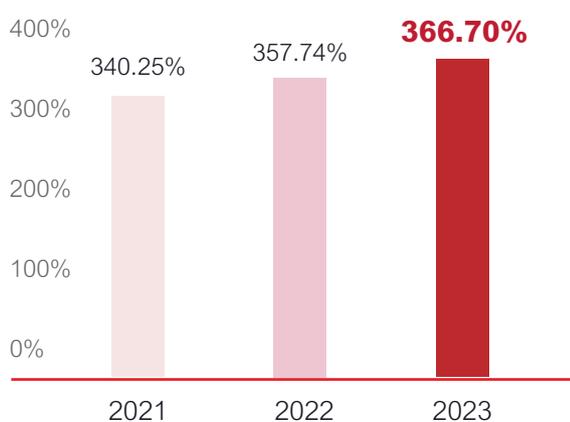
Percentage of Latter Four Types of Loans



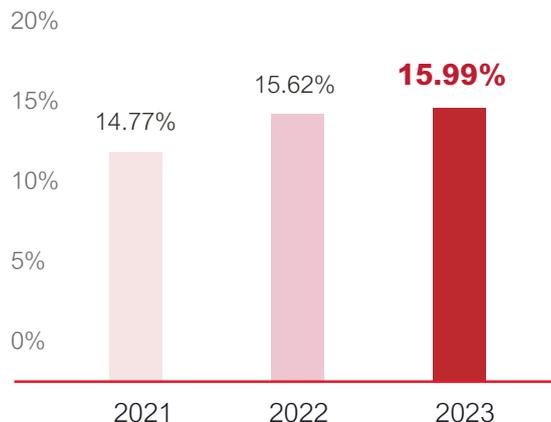
Provision-to-Loan Ratio



Provision Coverage Ratio

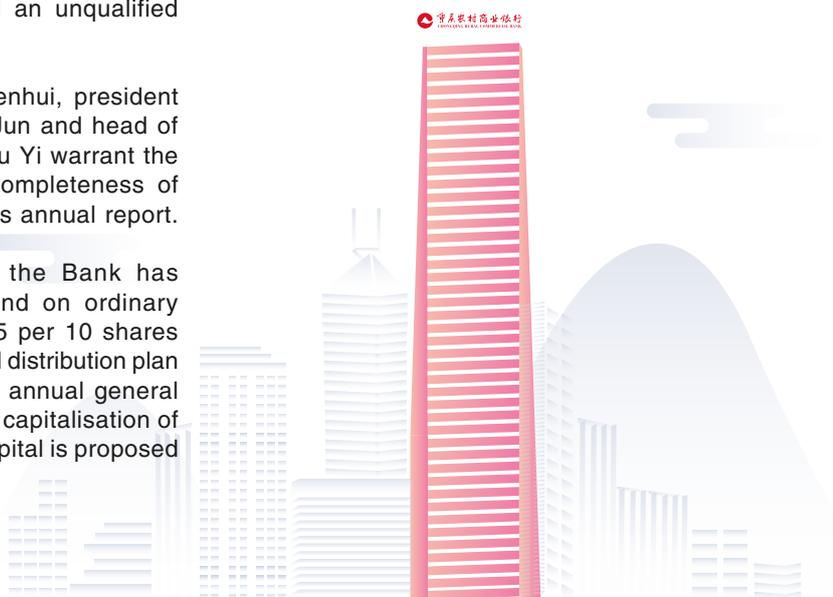


Capital Adequacy Ratio



Important Notice ▶▶

1. The Board, the Board of Supervisors and the directors, supervisors and senior management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this annual report, and that there are no false presentations, misleading statements or material omissions herein, and are legally liable jointly and severally.
2. The 2023 annual report and the results announcement of the Bank have been considered and approved at the 41st meeting of the fifth session of the Board of Directors of the Bank convened on 28 March 2024. The number of directors who should attend the meeting is 9 with 9 directors actually attended the meeting, 2 directors entrusted other directors to vote on their behalf. Some supervisors and senior management personnel of the Bank attended the meeting.
3. The 2023 financial report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by KPMG Huazhen LLP, and the 2023 financial report prepared in accordance with International Financial Reporting Standards has been audited by KPMG. Both auditors issued an unqualified audit report.
4. The Bank's chairman Xie Wenhui, president in charge of accounting Sui Jun and head of the accounting department Liu Yi warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
5. The Board of Directors of the Bank has recommended a final dividend on ordinary shares for 2023 of RMB2.885 per 10 shares (inclusive of tax), such dividend distribution plan will be submitted to the 2023 annual general meeting for consideration. No capitalisation of the capital reserve to share capital is proposed in this distribution.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders or other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.
8. The Bank has no significant risks that need to draw special attention of investors. For details of the major risks that the Bank faces in its business operation and various measures adopted by the Bank, please refer to the Risk Management Section in Chapter 3 of this report.



Definitions >>>

Chongqing Rural Commercial Bank, Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司)
Group	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
PBOC or Central Bank	the People's Bank of China
CSRC	China Securities Regulatory Commission
Hong Kong Stock Exchange, or the Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
Shanghai Stock Exchange	Shanghai Stock Exchange
rural commercial bank	a short-hand reference to rural commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
village and township banks	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
CQRC Wealth Management	CQRC Wealth Management Co., Ltd.
CQRC Financial Leasing	CQRC Financial Leasing Co., Ltd.
urban area	9 urban areas in Chongqing city, namely Yuzhong District, Dadukou District, Jiangbei District, Shapingba District, Jiulongpo District, Nan'an District, Beibei District, Yubei District and Ba'nán District
county area	Regions other than 9 urban areas of Chongqing city, also including 12 village and township banks controlled by the Bank and Qujing Branch established in another province by the Bank
yuan	RMB yuan
Reporting Period	the twelve months period from 1 January 2023 to 31 December 2023

Chairman's Statement



Dear shareholders,

In 2023, the global economic growth momentum slowed down, and the recovery of various countries continued to differentiate. However, China stepped out of the impact of the COVID-19 pandemic, the economy and society resumed normal operation in an all-round way, macroeconomic policies played a significant role, and the economy continued to consolidate the good trend for recovery. For the financial institutions, the past year has been a very important year for the development of China's financial industry. China has continuously deepened the reform of financial supervision and drawn up a grand blueprint for building a strong financial country, pointing out new directions and bringing new opportunities for the high-quality development of finance. Chongqing Rural Commercial Bank resolutely implemented the arrangements of the higher authorities and the financial regulatory requirements, maintained the strategic strength, devoted to local economics in Chongqing, showed our responsibility in serving the overall situation, cultivated excellent characteristics in raising the benchmark, and made innovative breakthroughs in digital transformation, delivering a steady results report.

Prosper from agriculture, firmly rooted in solid foundation. Looking back, our very first initiative was to support farming industry, dedicated to Chongqing for 70 years, restructured and established Chongqing Rural Commercial Bank for 15 years, deeply integrated into the regional economic and social development, steadily implemented the "agriculture, rural areas and farmers" policy and insisted on our original aspiration in real economy, progressively adding contributions to the gains of rural reformation. We have spent 15 years consolidating our growth, keeping steady rate of increment. We are the first bank with an asset scale of RMB one trillion in the national agricultural and commercial system. At present, our asset scale exceeds RMB1.4 trillion, and the balance of deposits and loans exceeds RMB1.5 trillion. Our main indicators of financial support for the real economy, such as agriculture, small and micro enterprises and manufacturing, have remained at the forefront in Chongqing for a long time. We spent 15 years focusing on improving quality and efficiency, managing countermeasures of bad problems, building up a marketing team with "iron determination" and strengthening the brand strength, and rose to the 115th in the global bank rankings, maintaining the leading position among the central and western banks and the national rural commercial banks. We have been committed to innovation and demonstration for 15 years, pursued the forefront of modern banks by benchmarking advanced bank, became the first listed rural financial institution and the first "A+H"-shares listed rural commercial bank in China, built a service system with multiple licenses covering banking, financial leasing, wealth management, consumer finance and financial technology, and deeply cultivated our own core competitiveness.

Innovative renovation, epic founding accompanied by reassuring commitment. "In the South growing entwined trees, with vines clinging to their trunks." Ficus virens is the city tree for Chongqing Municipality. and is renowned for its tenacious vitality. It could possibly lasting hundreds of years, in despite of any harsh environment, whether rooting in barren land or growing on edge of precipice which is inseparable from its strong adaptability and self-healing ability. In the past, we have gradually achieved "from small to large, mediocre to excellent, from weak to strong" step by step, and it is precisely because of our long-term adherence to the philosophy of seeking change while maintaining stability and breaking through innovation, and we have grasped the opportunity of reform and identified the direction of transformation. At present, the construction of digital China and digital Chongqing is speeding up and upgrading. We need to learn and carry forward the spirit of self-innovation and continuous iteration, and realize the "second ascent" of Chongqing Rural Commercial Bank with the guidance of science and technology, digital empowerment, innovation and change. We have made every effort to promote the digital transformation, stabilized the "load-bearing columns" of financial technology, enlightened the application of digital technology and the iteration of product system. For example, the Bank actively integrated with the construction of digital Chongqing project and promoted strategic planning consultation program. In December 2023, Chongqing Yuyin Financial Technology Co., Ltd. (重慶渝銀金融科技有限責任公司) was established, improving the framework design of "digital rural commercial bank", strengthening the exploration of the cooperation mode of "government administration + finance", and promoting the implementation of digital government administration with the transformation of digital finance. The Bank made every effort to take the independent innovation advantages of five national pilot qualifications and 144 licensed patents, and built a digital product system of "Yukuai Loan+" with three "ten billion" online products as the starting point, so as to enhance the convenience of financial services. The Bank strengthened the promotion of layout of smart machines, made good use of the functions of "Dialect Bank" and "Air Bank", and improved the service efficiency of outlets.

Stand firm, flourish and evergreen. "Even the magnificent carriage cannot compare with the luxuriant canopy of tree branches, as if seized by green clouds, under which, one could measure its shade by a hundred footsteps." Confronting with complicated external environment and flickering market opportunities, we fully understood the functions and missions of small and medium-sized financial institutions, always anchored institutional positioning, held on to our original intention of supporting farming industry and small enterprises, optimized local speciality, and continuously focused on Chongqing market. In 2023, we made our every endeavor to the development of rural counties, digitally empowered rural finance, repetitively upgraded the rural revitalization digital financial service platform, and strove to achieve full coverage of administrative villages in Chongqing by "filing and rating" and "credit grant for whole

Chairman's Statement



village" with village communities as units. We accelerated the promotion of the intelligent fiscal and taxation service platform for "Jiangyu Kuaiji" to provide intelligent fiscal and taxation services for rural business entities. The small and micro enterprise finance business developed well, fully achieving the goal of "Two Increases and Two Controls" required by the regulatory authorities. The loans for inclusive small and micro enterprises ranked the first in Chongqing in terms of the increment and stock. We increased financial support in key areas, serves more than two-thirds of the "specialized, refined, differential, and innovative" enterprises in Chongqing, and granted more than 80% of Chongqing's entrepreneurial guarantee loans. Our service innovation case of "Party Building Leading Financing to Help Enterprises to Handle Loans Online with One-click Scanning QR Code" was included in the "2023 Typical Cases of Chinese Inclusive Finance".

Contributed silently to the flourish of market, nourishing as dew without a trace, yet its essence endures. We actively fulfill our social responsibilities, contribute to financial strength, give full play to the role of finance in promoting consumption, stabilizing investment and expanding domestic demand, and continue to meet the effective financing needs of the real economy. In 2023, we served the expansion and quality improvement of the construction of major projects and provided diversified services such as credit, bonds, investment banking, financial leasing and wealth management. The balance of loans for the Chengdu-Chongqing Economic Circle and major municipal projects in Chongqing amounted to RMB26 billion. We supported the construction of the New International Land-Sea Corridor and innovatively used products such as "Land-Sea Chain Financing" and "Channel-Rail Financing", and implemented the first "one-single-system" digital bills of lading of the land-sea new channel multimodal transport and the movable property pledge financing in China. We supported the construction of the "33618" modern manufacturing cluster system of Chongqing, with a manufacturing loan balance ranking the first in Chongqing in market share. We helped the construction of the green finance reform and innovation pilot zone, and were included in the financial institutions supporting carbon emission reduction. The balance of green credit was RMB62 billion, representing a year-on-year increase of 27.2%. We launched a featured system for state-owned enterprises, rural collective economic organizations and other customer groups, and launched the treasurer system and the "Chongqing Agricultural Economic Management" digital intelligence system respectively to improve the efficiency of financial services by intelligent means.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and is also a crucial year of digital transformation. Chinese President Xi Jinping pointed out that "history never favours the complacent who refuses to innovate; opportunities always belong to the audacious who embraces innovation and change." Under the background of the development of digital economy, comprehensively promoting the construction of digital rural commercial banks is not only necessary for the future development trend, but also

a self-reform and breakthrough. We will continue to promote the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents" and the development system of "all-in-one four-wheel drive", do our best to accelerate the digital transformation and reconstruct the bank value system in an all-round way, so as to win the future competition and realize the high-quality development of Chongqing Rural Commercial Bank with the "three changes" in organizational structure, management process and business model.

Promote the change in organizational structure. We will integrate the philosophy of "customer-centered" into the organizational system to realize the integrated design of customer value, the package service of businesses by the Head Office, the one-stop connection of branches and the all-round optimization of financial technology system.

Promote the change in management process. Through digitization, necessity, compliance and overall evaluation, we will comprehensively sort out the functions, responsibilities and workflow, and "do subtraction" on the process nodes and "do multiplication" on the empowerment support.

Promote the change in business model. We will make good use of our experience advantages in serving counties, the data advantages of retail customers and the basic advantages of financial ecology to build a future-oriented digital and characteristic service model and enhance our core competitiveness.

In the future, Chongqing Rural Commercial Bank will strictly implement the arrangements of the higher authorities, thoroughly implement the practical requirements for developing new quality productive forces, firmly grasp the opportunity period of digital strategic transformation, regard digital transformation as the driving force and "new engine" for the innovation and development of local banks, deeply tap the potential, make inward breakthrough, and endeavour to the construction of socialist modern new Chongqing, so as to guarantee a highly satisfactory performance outcome to shareholders, employees and the society.

Secretary to the Party Committee
and Chairman

XIE Wenhui

President's Statement



Dear shareholders,

The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. The Bank has always adhered to the guidance of Chinese President Xi Jinping's Thought on Socialism with Chinese characteristics in the New Era, fully implemented the spirit of the 20th National Congress of the CPC, the Central Financial Work Conference and the Central Economic Work Conference, resolutely implemented the decision-making arrangements of the CPC Central Committee and the State Council and the work requirements of the municipal party committee and the municipal government, strictly implemented the regulatory policies, always adhered to developing characteristic operations based on the local area, firmly implemented the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", made great efforts to build the development system of "all-in-one four-wheel drive", comprehensively promoted the implementation of various reform tasks, and earned hard-won achievement with practical effort.

Firstly, the scale was leading: the total assets was RMB1.44 trillion, representing an increase of RMB89.2 billion or 6.60% as compared to the end of the previous year; the deposits balance was RMB896.2 billion, representing an increase of RMB71.3 billion or 8.64% as compared to the end of the previous year; the loan balance was RMB676.7 billion, representing an increase of RMB44 billion or 6.96% as compared to the end of the previous year. Secondly, the benefits were stable: the revenue was RMB28 billion, the net profit was RMB11.1 billion, representing an increase of 6.18%, and the return on net assets was 9.55%. Thirdly, the quality was improving: the non-performing loan ratio was 1.19%, the provision coverage ratio was 366.70%, and the capital adequacy ratio was 15.99%. The risk indicators of the Bank have shown a trend of "three decreases and one increase" for three consecutive years. The proportions of non-performing loans, special-mentioned loans and the latter four types of loans have continued to decrease, and the provision coverage ratio has continued to increase.

We were committed to building a new business format that interconnects businesses and strove to create a synergistic driving force. We deepened the concept of "customer-centered", optimized the organizational structure and operational mechanism, and established four head offices of "Financial Technology, Inclusive Finance, Corporate Finance and Financial Market" to build a solid support for business development.

Continue to strengthen the subject of "big retail". The stock and increment of personal deposits ranked first in Chongqing; personal consumption loans hit a record high, and the balance of the hit product, i.e. "Yukuai Loan", recorded RMB17.8 billion; the quantity of issued credit cards exceeded 2 million, ranking first in Chongqing in terms of credit extensions. Continue to increase business linkage. We established a linkage mechanism of and an assessment system of cross-departmental "public-private linkage" and cross-institutional "debt-loan-investment-rental-foreign exchange" to promote the collaborative development of inclusive, corporate and financial market businesses. Continue to promote the Group's management. The total leasing assets of CQRC Financial Leasing recorded RMB65.3 billion, and CQRC Wealth Management launched the first wealth management direct selling system among similar institutions. The village and township banks in Yunnan and Guangxi have achieved 100% shareholding, continuously playing the role of shareholders, and promoting the compliant and stable development of Xiaomi Consumer Finance Co., Ltd.

We were committed to accelerating digital transformation and continuously raising digital innovation capabilities. We focused on the four value areas of "digital development", "smart risk control", "intelligent outlets" and "productive operation" and comprehensively promoted digital transformation and reform. Comprehensively integrate innovative resources. We established the first banking financial technology company in Southwest China, built a financial technology organizational structure of "One Meeting, One Head Office, One Company", to continuously improve the strength of independent research and development and independent innovation, and increased the proportion of financial technology talents to 4.13%. Comprehensively promote digital empowerment. We deeply tapped the potential of data value, consolidated the foundation of data governance and data platform construction, and continued to empower intelligent marketing, intelligent operation, intelligent risk control and other fields. We strengthened the construction of intelligent middle offices with cognitive and perceive engine as the core, accelerated the application of digital technology in business scenarios, and promoted the continuous extension of characteristic scenarios such as "Micro Banking", "Air Bank" and "Dialect Bank". Comprehensively improve the digital experience. We enriched new digital scenarios, deepened the open banking concept, linked "B-side", "G-side" and "C-side", built capacity components, data resources and infrastructure systems, and comprehensively expanded scenario financial services such as scenario deposit products, offline diversified consumption, live

President's Statement



commerce and government services. The number of mobile banking users reached 14.38 million, and the total scale of online credit exceeded RMB140 billion.

We were committed to improving the quality and efficiency of services for the real economy and constantly condensed the driving force of finance. We actively served the “vital role” of local finance, proactively aligned with major strategies such as the construction of the Chengdu-Chongqing Economic Circle, the New International Land-Sea Corridor and the western financial center, actively served the construction of the national strategic hinterland, and strove to support the high-quality economic and social development. We granted credit of RMB121.1 billion to 157 key projects in the Chengdu-Chongqing Economic Circle and municipal key projects, and newly issued loans of RMB24.4 billion for the New International Land-Sea Corridor, and supported the construction of the “33618” modern manufacturing industry cluster system of Chongqing, and supported the loan balance of manufacturing industry to reach RMB65.7 billion. We adhered to ecological priority and green development, and made great efforts to build a green financial service system. The balance of green credit increased by RMB13.3 billion as compared to the end of the previous year, representing an increase of 27.2%. We supported the overall promotion of rural revitalization, creating more than 20 exclusive credit products around the characteristic industries in districts and counties, and the balance of agricultural loans was RMB232.8 billion, representing an increase of RMB17.2 billion as compared to the end of the previous year. We made great efforts to improve the quality and efficiency of serving the real economy, and increased loans for small and micro enterprises and individual industrial and commercial households. The balance of inclusive small and micro enterprise loans increased by RMB15.5 billion as compared to the end of the previous year, and the number of customers increased by 21,000, ranked the first place in Chongqing.

We were committed to the safe and steady operation of finance and continuously enhanced the stability of development. We firmly established a correct concept of management, performance and risk control, deeply researched and judged, comprehensively monitored and proactively responded to the changes based on the status quo, and coordinated development and financial safety. We continued to enforce risk management, focused on improving the foresight, accuracy, validity and synergy of risk prevention and control, and promoted the implementation of new regulations on financial asset risk classification, expected

credit loss method and off-balance sheet risk management in the Bank. We focused on strengthening the prevention and control of credit risks, built a credit risk analysis framework and evaluation model, carried out special stress tests, and took various measures to promote the disposal of large-value risky assets. We enhanced the level of digital risk management, improved the model risk management system, and realized the whole life cycle management of model risk. We upgraded the anti-fraud risk control map, expanded the coverage of big data early warning, strengthened the intelligent risk early warning of personal loans, and promoted the post-loan intelligent management and the online operation of the whole process of write-off.

The year 2024 is a crucial year for us to accelerate the transformation and development. The economic, policy, supervision, market and other environments faced by the Bank's operation and development have undergone major changes, and also ushered in new opportunities and challenges. **We will not forget our original aspiration when “surefooted”.** We keeping firmly in mind that we are rooted in our local soil, dedicating to farming industry, supporting farmers, and will continue to serve the political and financial aspects of our responsibilities as a rural banking institution, always put the people in the first place. We will always adhere to the people-centered value orientation and actively practice the political and people-oriented nature of financial work. **We will steadfastly forge ahead on the “innovative road”.** Reform and innovation are not to strive for temporary success, but to take the momentum of constant stream of revenues. We should implement the concept of “digital transformation” and “customer-centered” in detail, progressively improve the core competitiveness of enterprise and continuously build our brand value. **We will look forward to the “new journey” with great confidence.** Even confront with pressures and challenges, we “Fear not any steely obstacles, treading a path to conquer its summit.”, courageously strive for the first place and persevere, set the goal of building a nation with a strong financial sector, firmly make efforts on five areas with continuous innovation and development, so as to push the high-quality development of the Bank in all respects and contribute new and greater financial strength to the construction of modernized Chongqing.

President

Sui Jun

Company Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)

Legal Representative	XIE Wenhui
Authorised Representatives	XIE Wenhui ZHANG Peizong
Secretary to the Board	ZHANG Peizong
Securities affairs representative	HUANG Wei
Company Secretary	LEUNG Wing Han Sharon

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Registered and office address and postcode

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A-share listing stock exchange	H-share listing stock exchange
Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Stock Short Name: Yu Nong Shang Hang	Stock Short Name: CQRC BANK
Stock Code: 601077	Stock Code: 03618

A share registrar
Shanghai branch of China Securities Depository and Clearing Company Limited Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai

H share registrar
Computershare Hong Kong Investor Services Limited Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Date of first incorporation and registration authority
27 June 2008 Administration for Market Regulation of Chongqing

Unified social credit code of corporate legal person business license
91500000676129728J

Financial license institution number
The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority

Auditors
KPMG Huazhen LLP Address: 8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China Signing accountants: XUE Chenjun, WANG Weishun
KPMG Address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong Signing accountant: CHAN Siu Tung, Thomas

Legal advisor as to PRC laws
SGLA Law Firm (Chongqing) Address: 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing

Legal advisor as to Hong Kong laws
Clifford Chance LLP Address: 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

Historical change of the Company's registered address	The registered address of the Bank at the time of its establishment on 27 June 2008 was 10 Yanghe Road East, Jiangbei District, Chongqing, and was changed to the current registered address on 1 April 2017
Principal place of business in Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Name of designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of annual report	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of annual report	the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of annual report	Office of the Board of Directors of the Bank

Business Summary ▶▶▶

The Bank was established in 2008 and listed on the Main Board of H shares in 2010 and on the main board of A shares in 2019. The Bank's main businesses include inclusive finance business, corporate finance business and financial market business. Among them, inclusive finance business mainly provides financial services for personal customers, including personal loan and deposit business, bank card and credit card business, wealth management and intermediary business, etc. and provides financial services for small and micro enterprises. The corporate finance business mainly provides financial services for corporate customers and institutional customers, mainly including corporate deposit and loans business, supply chain financing business, foreign currency financing business, trade financing business, bills business and investment banking business. The financial market business mainly includes capital operation business and asset custody business. At the same time, the Bank currently has one wholly-owned non-banking subsidiary and one non-banking holding subsidiary which engage in wealth management business and financial leasing business respectively, and controls 12 village and township banks.



Strategic Vision: Endeavour to become a leading regional bank in China

Development Strategy

The Bank further promotes the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and focuses on building a development system of “all-in-one four-wheel drive”. The Bank grasps the macro trend, conforms to the industry trend, combines its own advantages, implements the concept of “customer-centered”, takes the “large retail” business as the subject of core competitiveness, takes the corporate financial business, financial market business, financial technology and talent team as the “four driving forces” with interconnected development and unified goals of the Bank. The corporate financial business and the financial market business and the “large retail” are coordinated, integrated and promoted, the technology empowers the digital transformation of the Bank, and the professional talent team supports the implementation of strategies and businesses, jointly promoting the Bank’s high-quality and connotative development, continuously improving the ability of financial services to the real economy, and contributing financial forces in implementing major national strategies.



Investment value and core competitiveness

Development strategy of sticking to our own business and clear orientation

The Bank adheres to the main responsibility and business of supporting “agriculture, rural areas and farmers” and supporting small and micro businesses and serving the real economy, complies with the development trend of the new pattern of double circulations, deeply serves the rural vitalization and development, establishes the strategic direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and a development system of “all-in-one four-wheel drive”, adheres to high-quality and endogenous growth, and strives to build the Bank into a “national leading regional bank”.

A corporate culture of realistic, enterprising, innovative and developing

Since its establishment, the Bank has always maintained the fundament of “benchmark bank culture”, rooted in Chongqing and faced the whole country, been the pioneer, become the first “A + H” share listed bank in western China by overcoming many difficulties, and become the leading rural commercial bank in China. The Bank inherits the excellent tradition of “loyalty and responsibility, tenacity and enterprising, diligence and dedication, and simplicity and obligation”, and create an enterprise atmosphere of “want to do things, able to do things, and do things well”.

Scientific, efficient, sustainable and complete management system

As a local corporation, the Bank has few management levels and short decision-making chain, which plays a key role in the development of adapting to market changes and seeking innovation. The Bank keeps adhering to refined management, integrates it into the corporate culture, establishes the risk management, operation management, technology management, human resource management and financial management system and their abilities, and constantly promotes the management with advanced enterprises as the benchmark, so as to achieve the benefit from management.

Digital and intelligent technology empowerment

The Bank adheres to the technology drive, builds a structure of “One Meeting, One Head Office, One Company”, realizes the complete integration of business, data, technology and channels, and builds a digital rural commercial bank in an all-round way. The Bank focuses on the four themes of “digital” development, “smart” risk control, “intelligent” outlets and “productive” operation, accelerates the high-quality business development, deepens the construction of high-efficiency risk control, and promotes the high-quality transformation of outlets and efficient decision-making in operation.

Retail finance with significant advantages and potential

With the help of three traditional advantages including outlets across the urban and rural areas, team and leading client base and by taking customers as the center, the Bank builds an ecological platform, a financial life circle and a core brand, deeply taps the potential of customers, and promotes large retail finance to constantly release potentials and become the main part of the Bank’s business development.

Corporate finance with green development and intensive cultivation

The Bank establishes a “1+3+22+N” green financial system to develop green credit and green financial products, and comprehensively promotes the construction of green financial benchmark bank. The Bank seizes the strategic opportunities arising from Chengdu-Chongqing Economic Circle and the New International Land-Sea Corridor. The Bank focuses on the industrial economic development in Chongqing, uses scientific and technological innovation to drive online, intelligent and scenario-based financial services and standardizes customer management, and creates professional, accurate and tailored “expert” services and comprehensive, efficient and high-quality “housekeeper” services.

Integrated and collaborative financial market business

The Bank takes “integrated financial market operator” as the goal, acts in the manner of “collaborative teamwork”, takes “settlement and clearing + trust” as the support, takes “investment + wealth management” as the approach, promotes the three-level linkage of interbank, business line and head office-branch, constantly taps the cooperation potentials of interbank customers, and forms a whole chain customer group service system of “investment + capital + trust”.

Honors and Awards >>>



- ★ The Bank was selected into the latest list of "Double Hundred Enterprises" for state-owned enterprise reform issued by the State-owned Assets Supervision and Administration Commission of the State Council, **and the Bank is one of the ten selected enterprises in Chongqing.**
- ★ The Bank's "Innovative Management of Digital Business Led by Regional Banks with Competent Middle Office" **won the First-class Achievement of the 28th National Enterprise Management Modernization Innovation Achievements.**
- ★ The Bank won **the team first prize of the 2023 Chongqing Financial Industry Digital Transformation Labor and Skills Competition** organized by the Chongqing Office of the National Financial Regulatory Administration and the Chongqing Federation of Trade Unions.
- ★ The Bank's "Rural Revitalization Digital Financial Service Platform" **won the third prize of the 2022 Annual Financial Technology Development Award of the People's Bank of China in 2023.**
- ★ The Bank's "External Data Integrated Management Platform" **won the Excellent Case Award for Data Intelligence Application Innovation** in the Third Excellent Case Selection of Digital Intelligence Transformation of Small and Medium-sized Financial Institutions held by Fintech Innovation in China.
- ★ The Bank's "Dedicated Service Industry Development Finance Helps Rural Revitalization" **won the Excellent Practice Case Award** in the "Best Practice Creation of Rural Revitalization of Listed Companies in 2023" Event organized by the China Association for Public Companies.
- ★ The Bank's service innovation case of "Party Building Leading Financing to Help Enterprises to Handle Loans Online with One-click Scanning QR Code" was successfully included in the **"Typical Cases of Chinese Inclusive Finance (2023)".**

Financial Summary

(The financial information and indicators of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	2023	2022	Comparison between the year and last year	2021	2020	2019
			Rate of change (%)			
Operating results						
Net interest income	23,493.1	25,404.2	(7.52)	26,234.8	24,248.9	23,373.7
Net non-interest income	4,464.1	3,537.1	26.21	4,614.8	3,933.0	3,268.7
Among which: net fee and commission income	1,791.3	1,913.2	(6.37)	2,724.2	2,902.9	2,239.0
other net non- interest income	2,672.8	1,623.9	64.59	1,890.6	1,030.1	1,029.7
Operating income	27,957.2	28,941.3	(3.40)	30,849.6	28,181.9	26,642.4
Operating expenses	(9,820.0)	(9,540.5)	2.93	(8,795.7)	(7,909.4)	(7,835.9)
Credit impairment losses	(5,941.3)	(7,840.5)	(24.22)	(10,852.1)	(10,208.6)	(6,572.6)
Profit before tax	12,195.9	11,560.0	5.50	11,200.6	10,062.8	12,233.0
Net profit	11,125.2	10,477.8	6.18	9,718.4	8,564.8	9,988.1
Net profit attributable to shareholders of the Bank	10,902.4	10,275.6	6.10	9,559.7	8,401.2	9,759.9
			Change in amount			
Based on per share (RMB/yuan)						
Net assets per share attributable to ordinary shareholders of the Bank ⁽¹⁾	10.23	9.49	0.74	8.89	8.25	7.77
Basic earnings per share ⁽²⁾	0.94	0.89	0.05	0.84	0.74	0.95
Diluted earnings per share ⁽²⁾	0.94	0.89	0.05	0.84	0.74	0.95
			Change (percentage point)			
Profitability indicators (%)						
Average return on total assets ⁽³⁾	0.80	0.80	–	0.81	0.79	1.01
Weighted average return on net assets ⁽²⁾	9.55	9.72	(0.17)	9.82	9.24	12.75
Net interest spread ⁽⁴⁾	1.64	1.84	(0.20)	2.01	2.08	2.17
Net interest margin ⁽⁵⁾	1.73	1.97	(0.24)	2.17	2.25	2.33
Net fee and commission income to operating income	6.41	6.61	(0.20)	8.83	10.30	8.40
Cost-to-income ratio ⁽⁶⁾	33.94	31.90	2.04	27.51	27.09	28.52

Financial Summary

(Expressed in RMB million, unless otherwise stated)	31 December 2023	31 December 2022	Comparison between the end of the year and the end of last year	31 December 2021	31 December 2020	31 December 2019
			Rate of change (%)			
Scale indicators						
Total assets	1,441,522.1	1,352,301.2	6.60	1,266,291.2	1,136,366.6	1,030,230.2
Among which: Carrying balance of loans and advances to customers	676,710.6	632,677.1	6.96	582,166.5	507,885.9	437,084.9
Allowances for impairment on loans and advances to customers	(29,433.8)	(27,591.7)	6.68	(24,831.5)	(20,922.5)	(20,744.1)
Total liabilities	1,317,580.3	1,236,844.9	6.53	1,159,807.1	1,041,294.4	940,427.9
Among which: deposits from customers	896,202.2	824,946.8	8.64	759,360.2	724,999.8	673,401.8
Share capital	11,357.0	11,357.0	–	11,357.0	11,357.0	11,357.0
Equity attributable to shareholders of the Bank	122,173.8	113,723.5	7.43	104,952.8	93,668.7	88,213.5
Non-controlling interests	1,768.0	1,732.8	2.03	1,531.3	1,403.5	1,588.8
Total equity	123,941.8	115,456.3	7.35	106,484.1	95,072.2	89,802.3
			Change (percentage point)			
Assets quality indicators (%)						
Non-performing loan ratio	1.19	1.22	(0.03)	1.25	1.31	1.25
Provision coverage ratio	366.70	357.74	8.96	340.25	314.95	380.31
Provision-to-loan ratio	4.37	4.36	0.01	4.27	4.12	4.75
			Change (percentage point)			
Capital adequacy ratio indicators (%)						
Core Tier 1 capital adequacy ratio ⁽⁷⁾	13.53	13.10	0.43	12.47	11.96	12.42
Tier 1 capital adequacy ratio ⁽⁷⁾	14.24	13.84	0.40	12.98	11.97	12.44
Capital adequacy ratio ⁽⁷⁾	15.99	15.62	0.37	14.77	14.28	14.88
Total equity to total assets ratio	8.60	8.54	0.06	8.41	8.37	8.72
			Change (percentage point)			
Other indicators (%)						
Loan-to-deposit ratio	75.51	76.69	(1.18)	76.67	70.05	64.91

Notes:

- (1) Calculated by dividing shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments as at the end of the period by the total number of ordinary share capital as at the end of the period.
- (2) Calculated in accordance with the requirements of the "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.
- (3) Average return on total assets represents 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.
- (4) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-bearing assets.
- (6) Calculated by dividing total operating expenses (excluding taxes and surcharges and other operating cost) by operating income.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the former China Banking Regulatory Commission.

Basis of Preparation of Certain Financial Indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Management Discussion and Analysis

I. Overall Operating Analysis

In 2023, the Bank earnestly implemented various national decision-making arrangements and regulatory requirements, adhered to the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving rural economy”, practiced the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, deepened the development system of “all-in-one four-wheel drive”, strived to “increase income, prevent risks, optimize structure, and grasp transformation”, focused on serving the main business and actively fulfilled responsibilities with stable growth.

The operation development maintained a good momentum. The total assets amounted to RMB1,441.522 billion, representing an increase of RMB89.221 billion as compared to the end of the previous year, continuing to maintain the dominant position in the national rural commercial banks. The deposit balance amounted to RMB896.202 billion, representing an increase of RMB71.255 billion as compared to the end of the previous year. The loan balance amounted to RMB676.711 billion, representing an increase of RMB44.034 billion as compared to the end of the previous year. The scale of deposits and loans ranked the first in Chongqing for three consecutive years. The net profits recorded RMB11.125 billion, representing a year-on-year increase of 6.18%. The non-performing loan ratio was 1.19%, representing a decrease of 0.03 percentage point as compared to the end of the previous year. Capital adequacy ratio of 15.99% and provision coverage ratio of 366.70%, demonstrated strong risk resistance ability. The Bank ranked 115th in the “Global Banks” of The Banker and ranked 22nd among the PRC banks, continuing to maintain the first place among the national rural commercial banks and the central and western banks.

The quality and efficiency in serving the real economy improved. The Bank has expanded and improved the quality of serving the construction of major projects, provided diversified services such as credit, bonds, investment banking, financial leasing and wealth management, and granted credit amount of RMB121.076 billion to major projects in the Chengdu-Chongqing Economic Circle and major municipal projects in Chongqing and loan balances amounted to RMB25.978 billion. Through innovative use of “Land-Sea Chain Financing”, “Channel-Rail Financing” and other products, the Bank implemented the first “one-single-system” digital bills of lading of the New International Land-Sea Corridor multimodal transport and the movable property pledge financing business in China. The Bank granted new loans of RMB24.35 billion to the New International Land-Sea Corridor. The Bank supported the construction of “33618” modern manufacturing industry cluster system, with the loan balance of manufacturing amounting to RMB65.672 billion, ranking first in Chongqing in terms of market share. The Bank helped to build a pilot zone for green financial reform and innovation and was selected as a financial institution for carbon emission reduction support tools. The balance of the green credit amounted to RMB61.98 billion, representing a net increase of RMB13.27 billion or 27.2% as compared with the end of the previous year. Special systems have been put into operation, and the treasury system and the “Chongqing Agricultural Economic Management” digital intelligence system have been launched for state-owned enterprises, rural collective economic organizations and other customer segments, so as to enhance the efficiency of financial services by intelligent means.

The inclusive finance business continued to make difference. The Bank endeavored to support the development in rural area, with the balance of agricultural loans amounting to RMB232.800 billion, representing an increase of RMB17.175 billion as compared with the end of the previous year. Through digital empowerment of rural finance, iterative upgrading of rural revitalization finance services management platform, village community-based “file rating” “whole village credit extension”, the Bank strove to achieve full coverage of the administrative villages in Chongqing. The Bank accelerated the popularization of the intelligent fiscal and taxation service platform for “Jiangyu Kuaiji”, providing intelligent fiscal and taxation services for rural business entities. The finance business of small and micro enterprises developed well with an increase of 21,300 in the number of inclusive small and micro enterprises loan customers and an increase of RMB15.477 billion in the loan balance, fully accomplishing the supervisory goal of “Two Increases and Two Controls”. The Bank increased financial support in key areas, served more than two-thirds of “specialized, refined, differential, and innovative” enterprises and granted more than 80% of guaranteed loans for entrepreneurship in Chongqing. The Bank’s service innovation case of “Party Building Leading Financing to Help Enterprises to Handle Loans Online with One-click Scanning QR Code” was successfully included in the “Typical Cases of Chinese Inclusive Finance (2023)”.

Reform and innovation resulted in improvement in efficiency and capacity. A new round of state-owned enterprise (SOE) reform was launched in 2023. Reform tasks such as SOE reform to improve efficiency and increase capacity, value creation action, and Action for High-Quality Development of Listed Companies were steadily pushed forward, and the annual target was successfully accomplished, and the Bank was rated as an A-grade enterprise in the assessment of three-year action of SOE reform in Chongqing’s state-owned assets system. The Bank led organizational change with digital change, promoted the adjustment of digital organizational structure and operation mechanism, and broke through the barriers of business, process and responsibility. The Bank solidly pushed forward the reform of the three systems, improved the talent construction plan, optimized mechanisms for selecting and employing personnel and career development and continuously enhanced the vitality of employees. The Bank deeply implemented the strategy of empowering the Bank with talents, with the proportion of fin-tech talents rising to 4.13% and the proportion of bachelor’s degree and above accounting for 80.02%. The reform of village and township banks has achieved results, and the acquisition of equity of village and township banks in Yunnan and Guangxi regions has been completed.

II. Financial Statements Analysis

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Net interest income	23,493.1	25,404.2	(1,911.1)	(7.52)
Net non-interest income	4,464.1	3,537.1	927.0	26.21
Among which: Net fee and Commission income	1,791.3	1,913.2	(121.9)	(6.37)
Net other non-interest income	2,672.8	1,623.9	1,048.9	64.59
Operating income	27,957.2	28,941.3	(984.1)	(3.40)
Operating expenses	(9,820.0)	(9,540.5)	(279.5)	2.93
Impairment losses on credit	(5,941.3)	(7,840.5)	1,899.2	(24.22)
Impairment losses on other assets	–	(0.3)	0.3	(100.00)
Profit before tax	12,195.9	11,560.0	635.9	5.50
Income tax expenses	(1,070.7)	(1,082.2)	11.5	(1.06)
Net profit	11,125.2	10,477.8	647.4	6.18
Net profit attributable to shareholders of the Bank	10,902.4	10,275.6	626.8	6.10

In 2023, the Group focused on its main business and injected financial vitality into the real economy. Various businesses developed steadily and operating efficiency achieved progress while maintaining stable. During the period, the Group recorded an operating income of RMB27.957 billion, representing a year-on-year decrease of RMB984 million or 3.40%; recorded a net profit of RMB11.125 billion, representing a year-on-year increase of RMB647 million or 6.18% and recorded the net profit attributable to shareholders of the Bank of RMB10.902 billion, representing a year-on-year increase of RMB627 million or 6.10%

1. Net interest income

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

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Interest income	49,887.1	51,257.8	(1,370.7)	(2.67)
Interest expense	(26,394.0)	(25,853.6)	(540.4)	2.09
Net interest income	23,493.1	25,404.2	(1,911.1)	(7.52)

In 2023, the Group recorded a net interest income of RMB23.493 billion, representing a year-on-year decrease of RMB1.911 billion or 7.52%.

(1) Interest income

In 2023, the interest income of the Group amounted to RMB49.887 billion, representing a year-on-year decrease of RMB1.371 billion or 2.67%, which was mainly due to the impact of decrease in market interest rates. The details are as follows:

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:

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	321,547.0	14,302.5	4.45	290,740.5	13,605.7	4.68
General short-term loans	69,706.8	2,719.0	3.90	68,145.4	2,738.9	4.02
Medium and long-term loans	251,840.2	11,583.5	4.60	222,595.1	10,866.8	4.88
Retail loans	289,780.7	14,005.7	4.83	274,960.2	15,069.0	5.48
General short-term loans	132,836.2	6,629.7	4.99	126,833.6	7,298.5	5.75
Medium and long-term loans	156,944.5	7,376.0	4.70	148,126.6	7,770.5	5.25
Discounted bills	55,067.7	829.0	1.51	46,776.0	821.5	1.76
Total loans and advances to customers	666,395.4	29,137.2	4.37	612,476.7	29,496.2	4.82

The interest income from loans and advances to customers amounted to RMB29.137 billion, representing a year-on-year decrease of RMB359 million or 1.22%, which was mainly attributable to the fact that with the impact of the decrease in the market interest, the Group increased its support for the real economy, resulting in the decrease in the average yield of loans and advances to customers. In terms of the proportion, the interest income from loans and advances to customers accounted for 58.41% of the interest income, representing a year-on-year increase of 0.87 percentage point.

Management Discussion and Analysis

② Interest Income from Financial Investments

The average balance, interest income and average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets measured at amortised cost	367,064.4	13,345.1	3.64	405,947.2	15,393.9	3.79
Financial assets measured at fair value through other comprehensive income	133,317.1	3,365.3	2.52	79,004.5	2,185.0	2.77
Total financial investments	500,381.5	16,710.4	3.34	484,951.7	17,578.9	3.62

In 2023, interest income from financial investments amounted to RMB16.710 billion, representing a year-on-year decrease of RMB869 million or 4.94%, which was due to the decline in the yield of the Group's financial investments as a result of the decrease in the interest rate of the capital market.

③ Interest Income from Balances with Central Bank

The Group's interest income from balances with Central Bank amounted to RMB807 million, representing a year-on-year decrease of RMB17 million or 2.07%, mainly due to the fact that the PBOC lowered the deposit reserve ratio, which resulted in the year-on-year decrease in the Group's average balance with Central Bank of RMB1,613 million or 3.00%.

④ Interest Income from Due from Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	101,970.6	2,594.4	2.54	99,203.1	2,732.2	2.75
Financial assets held under resale agreements	36,572.1	637.8	1.74	40,286.6	626.1	1.55
Total due from banks and other financial institutions	138,542.7	3,232.2	2.33	139,489.7	3,358.3	2.41

In 2023, the Group's interest income due from banks and other financial institutions amounted to RMB3,232 million, representing a year-on-year decrease of RMB126 million or 3.75%, mainly due to the fact that the yield of the Group's amount due from banks and other financial institutions decreased based on the market condition.

(2) Interest expense

In 2023, the interest expense of the Group was RMB26.394 billion, representing a year-on-year increase of RMB540 million or 2.09%, mainly driven by the increase of interest-bearing liabilities of the Group. The details are analyzed as follows:

① Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Demand deposit	99,681.4	705.3	0.71	104,952.0	686.9	0.65
Time deposit	57,589.0	1,612.1	2.80	51,179.3	1,514.8	2.96
Subtotal corporate deposits	157,270.4	2,317.4	1.47	156,131.3	2,201.7	1.41
Demand deposit	139,953.3	296.4	0.21	130,337.1	373.5	0.29
Time deposit	585,615.2	14,025.1	2.39	516,117.5	13,239.5	2.57
Subtotal personal deposits	725,568.5	14,321.5	1.97	646,454.6	13,613.0	2.11
Total deposits from customers	882,838.9	16,638.9	1.88	802,585.9	15,814.7	1.97

In 2023, the interest expense on deposits from customers amounted to RMB16.639 billion, representing a year-on-year increase of RMB824 million or 5.21%, which was mainly due to the fact that the average daily balance of deposits from customers increased by RMB80.253 billion year-on-year during the period as a result of the growth of the size of deposits from customers of the Group. The interest payment rate on deposits from customers was 1.88%, representing a year-on-year decrease of 9 basis points. As the Group fully leveraged its network and service advantages to expand channels of deposit source, the average daily scale of deposits from customers continued to grow steadily and its deposit market share maintained its leading position. At the same time, the Group constantly optimized the deposit structure, strengthened management and control of the scale of deposit products with relatively high costs, effectively reduced deposits cost and further consolidated the competitive advantages of deposits.

Management Discussion and Analysis

② Interest Expense on Borrowings from Central Bank

In 2023, interest expense on borrowings from Central Bank amounted to RMB2,190 million, representing a year-on-year increase of RMB17 million or 0.79%, which remained basically unchanged.

③ Interest Expense on Due to Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Amounts from banks and other financial institutions	111,611.3	2,659.7	2.38	86,160.4	2,135.9	2.48
Financial assets sold under repurchase agreements	64,817.2	1,153.3	1.78	61,582.5	1,081.9	1.76
Total amount due to banks and other financial institutions	176,428.5	3,813.0	2.16	147,742.9	3,217.8	2.18

In 2023, the Group's interest expense on due to banks and other financial institutions amounted to RMB3,813 million, representing a year-on-year increase of RMB595 million or 18.50%, mainly due to the fact that the Group moderately increased the interbank liabilities financing based on the change of the market situation.

④ Interest Expense on Issued Debt Securities

The average balance, interest expense and average cost rate for each component of issued debt securities of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Debt securities payable	21,074.8	727.0	3.45	23,168.2	793.1	3.42
Interbank deposit certificate	127,885.9	3,019.9	2.36	152,543.1	3,850.8	2.52
Total issued debt securities	148,960.7	3,746.9	2.52	175,711.3	4,643.9	2.64

In 2023, the interest expenses on issued debt securities of the Group amounted to RMB3,747 million, representing a year-on-year decrease of RMB897 million or 19.32%, the Group optimized the liability structure management and reduced the scale of financing from the issued debt securities.

(3) Net interest spread and net interest margin

The table below sets forth, for the years indicated, the average balances of interest-bearing assets and interest-bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of lease liabilities on the interest expense and average balances.

(Expressed in RMB million, unless otherwise stated)	2023			2022		
	Average balance	Interest income/expense	Average yield/cost rate (%)	Average balance	Interest income/expense	Average yield/cost rate (%)
Assets						
Loans and advances to customers	666,395.4	29,137.2	4.37	612,476.7	29,496.2	4.82
Financial investment	500,381.5	16,710.4	3.34	484,951.7	17,578.9	3.62
Balances with Central Bank	52,227.2	807.3	1.55	53,840.2	824.4	1.53
Due from banks and other financial institutions	138,542.7	3,232.2	2.33	139,489.7	3,358.3	2.41
Total interest-bearing assets	1,357,546.8	49,887.1	3.67	1,290,758.3	51,257.8	3.97
Liabilities						
Deposits from customers	882,838.9	16,638.9	1.88	802,585.9	15,814.7	1.97
Borrowings from Central Bank	91,926.5	2,189.6	2.38	86,346.7	2,172.4	2.52
Due to banks and other financial institutions	176,428.5	3,813.0	2.16	147,742.9	3,217.8	2.18
Debt securities issued	148,960.7	3,746.9	2.52	175,711.3	4,643.9	2.64
Total interest-bearing liabilities	1,300,154.6	26,388.4	2.03	1,212,386.8	25,848.8	2.13
Net interest income		23,498.7			25,409.0	
Net interest spread⁽¹⁾			1.64%			1.84%
Net interest margin⁽¹⁾			1.73%			1.97%

Note: (1) Net interest spread refers to the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Management Discussion and Analysis

In 2023, the Group's net interest spread was 1.64%, representing a year-on-year decrease of 0.20 percentage point, and the net interest margin was 1.73%, representing a year-on-year decrease of 0.24 percentage point. From the perspective of assets, the Group actively implemented major national strategic deployments and effectively reduced financing costs of enterprises. The credit scale continued to grow and the capacity of financial investments have been constantly strengthened. Affected by multiple reductions in LPR and repricing of existing loans, the yield of assets declined. From the perspective of liabilities, the Group has strengthened the proactive management and control of deposit costs and leveraged the advantages of "grid-based" channels, combined with its own advantages, taken multiple measures to further promote the continuous decline in financing costs of liabilities, constantly consolidating its core competitive advantages.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in amount of interest income and expense
Assets			
Loans and advances to customers	2,356.2	(2,715.2)	(359.0)
Financial investments	515.4	(1,383.9)	(868.5)
Balances with Central Bank	(25.0)	7.9	(17.1)
Due from banks and other financial institutions	(22.1)	(104.0)	(126.1)
Changes in interest income	<u>2,824.5</u>	<u>(4,195.2)</u>	<u>(1,370.7)</u>
Liabilities			
Deposits from customers	1,508.8	(684.6)	824.2
Borrowings from Central Bank	132.8	(115.6)	17.2
Due to banks and other financial institutions	619.6	(24.4)	595.2
Debt securities issued	(674.1)	(222.9)	(897.0)
Changes in interest expense	<u>1,587.1</u>	<u>(1,047.5)</u>	<u>539.6</u>
Changes in net interest income	<u>1,237.4</u>	<u>(3,147.7)</u>	<u>(1,910.3)</u>

The year-on-year decrease in net interest income was mainly due to the fact that the increase of RMB1,237 million of net interest income was driven by the changes in the average balance of various assets and liabilities and the decrease of RMB3,148 million of net interest income was attributable to the changes in the average yield and the average cost rate.

2. *Net non-interest income*

The Group insisted on customer-oriented principle, created a “large retail” business ecology with distinctive features, outstanding advantages and market leadership and expanded non-interest income source via various channels and made concerted efforts through carrying out various business including agency, fiduciary, bank card, settlement and clearing. In 2023, the net non-interest income amounted to RMB4,464 million, representing a year-on-year increase of RMB927 million or 26.21%, accounting for 15.97% of the operating income, representing a year-on-year increase of 3.75 percentage points.

(1) Net fee and commission income

The following table sets forth, for the years indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Subtotal fee and commission income	2,235.9	2,326.7	(90.8)	(3.90)
Wealth management fees	227.1	462.0	(234.9)	(50.84)
Agency and fiduciary service fees	697.0	700.3	(3.3)	(0.47)
Bank card fees	556.7	423.9	132.8	31.33
Settlement and clearing fees	148.0	134.0	14.0	10.45
Others	607.1	606.5	0.6	0.10
Fee and commission expense	(444.6)	(413.5)	(31.1)	7.52
Total net fee and commission income	<u>1,791.3</u>	<u>1,913.2</u>	<u>(121.9)</u>	<u>(6.37)</u>

In 2023, the net fee and commission income of the Group amounted to RMB1,791 million, representing a year-on-year decrease of RMB122 million or 6.37%. The net fee and commission income accounted for 6.41% of the operating income.

Management Discussion and Analysis

Wealth management fees amounted to RMB227 million. During the period, affected by the continuous decline in the asset yield of the overall market, wealth management fees decreased. The Group actively responded to market changes, launched a direct sales system for wealth management and continued to expand its influence of agency sales, laying a solid foundation for future business promotion and development.

Agency and fiduciary service fees amounted to RMB697 million, which was mainly due to the fact that the Group leveraged the achievements of digital transformation to keep up with the market, enriched personal wealth management products and enhanced customer purchasing experience, leading to continuous improvement in its proportion to intermediary business income.

Bank card fees amounted to RMB557 million, representing a year-on-year increase of RMB133 million. The Group continued to innovate its merchant cooperation model, integrated into daily transaction scenarios of merchants and made efforts on cluster marketing of catering merchants in the business district. The contribution of merchant business transactions through multi-channel and multi-category marketing continued to increase.

Settlement and clearing fees amounted to RMB148 million, representing a year-on-year increase of RMB14 million, which mainly due to the fact that the Group established digital online settlement channels and broadened the sources of non-interest income, leading to the increase in fee income from online payment and settlement business.

Other fee and commission income amounted to RMB607 million, representing a year-on-year increase of RMB1 million, which was basically stable.

(2) Other net non-interest income

The following table sets forth, for the years indicated, other net non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Net trading gain	1,886.4	687.4	1,199.0	174.43
Other net business gain	474.5	463.4	11.1	2.40
Share of net profits from associates	22.7	3.3	19.4	587.88
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	243.8	404.6	(160.8)	(39.74)
Net gain resulted from derecognition of financial assets measured at amortised cost	45.4	65.2	(19.8)	(30.37)
Total other net non- interest income	<u>2,672.8</u>	<u>1,623.9</u>	<u>1,048.9</u>	<u>64.59</u>

In 2023, the Group's other net non-interest income amounted to RMB2.673 billion, representing a year-on-year increase of RMB1.049 billion or 64.59%, which was mainly due to the fact that the Group has made steady progress, kept abreast of the market, seized investment opportunities, reasonably arranged investment progress and asset portfolio and continued to enhance its investment capabilities. Net trading gain amounted to RMB1.886 billion, representing a year-on-year increase of RMB1.199 billion, which was mainly due to the fact that the Group strengthened market research and judgment, continuously improved the investment research system, enriched investment varieties, constantly increased the conversion rate of trading strategies, made timely investments to financial assets at fair value through profit or loss based on the trend of interest rates and appropriately captured the increase in gains from financial asset brought by fluctuations in the market interest rate.

Management Discussion and Analysis

3. Operating expenses

The following table sets forth, for the years indicated, the operating expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Staff costs	5,734.7	5,640.2	94.5	1.68
Salaries, bonuses and allowances	3,934.5	3,792.4	142.1	3.75
Staff benefits, social insurance premiums, housing provident fund	1,400.0	1,380.4	19.6	1.42
Others	400.2	467.4	(67.2)	(14.38)
Taxes and surcharges	277.4	274.2	3.2	1.17
Depreciation and amortisation	803.2	785.7	17.5	2.23
Other general and administrative costs	2,951.2	2,805.9	145.3	5.18
Other operating cost	53.5	34.5	19.0	55.07
Total operating expenses	<u>9,820.0</u>	<u>9,540.5</u>	<u>279.5</u>	<u>2.93</u>

In 2023, the operating expenses of the Group amounted to RMB9,820 million, representing a year-on-year increase of RMB280 million or 2.93%. The Group has comprehensively accelerated the digital transformation, and the investment in digital construction expenses continued to increase accordingly.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 58.40% and 59.12% of its total operating expenses for 2023 and 2022 respectively.

In 2023, staff costs amounted to RMB5,735 million, representing a year-on-year increase of RMB95 million or 1.68%. The Group increased its investment in financial technology talents, thus the staff costs increased.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In 2023, taxes and surcharges amounted to RMB277 million, representing a year-on-year increase of RMB3 million or 1.17%, which was basically stable.

(3) Depreciation and Amortization

In 2023, the depreciation and amortization amounted to RMB803 million, representing a year-on-year increase of RMB18 million or 2.23%, which was mainly due to the fact that the Group promoted digital transformation, resulting in the increase in the amortization expenses of financial technology software invested.

(4) Other General and Administrative Expenses

In 2023, other general and administrative expenses amounted to RMB2,951 million, representing a year-on-year increase of RMB145 million or 5.18%, which was mainly due to the increase in the business promotion fee related to the business development, the electronic equipment maintenance fees related to financial technology development and other fees of the Group.

(5) Other Operating Cost

In 2023, the Group's other operating cost amounted to RMB54 million, representing a year-on-year increase of RMB19 million, which was mainly due to the fact that the Group carried out operating lease business, resulting in the increase in operating lease cost.

4. *Impairment loss*

The following table sets forth, for the years indicated, the impairment loss of the Group:

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Impairment loss on credit on loans and advances to customers	4,225.9	7,719.1	(3,493.2)	(45.25)
Impairment loss on credit on financial investments	1,071.9	60.4	1,011.5	1,674.67
Impairment loss on other credit	643.5	61.0	582.5	954.92
Impairment losses on other assets	—	0.3	(0.3)	(100.00)
Total impairment loss	5,941.3	7,840.8	(1,899.5)	(24.23)

Management Discussion and Analysis

In 2023, the Group's impairment loss was RMB5,941 million, representing a year-on-year decrease of RMB1,900 million or 24.23%. Among which, impairment losses on loans and advances to customers decreased by RMB3,493 million year-on-year, mainly due to the fact that the Group made forward-looking impairment provision for large-value risky loans in the previous years and at the same time, the Group made greater efforts on the recovery of non-performing assets for the previous period. During the year, the loan asset quality improved steadily and the impairment loss significantly declined.

The impairment losses on financial investments increased by RMB1,012 million year-on-year and impairment losses on other credit increased by RMB583 million year-on-year, mainly due to the fact that the Group further optimized the impairment provision method for non-credit assets in accordance with the new regulatory regulations and enhanced the risk offsetting capability of non-credit assets.

5. Income tax expense

The following table sets forth the profit before tax and income tax expense of the Group for the years indicated:

(Expressed in RMB million, unless otherwise stated)	2023	2022	Change in amount	Rate of change (%)
Profit before tax	12,195.9	11,560.0	635.9	5.50
Tax calculated at applicable statutory tax rate	2,921.7	2,773.8	147.9	5.33
Add/(less) the tax effect of the following items:				
Non-deductible expenses	112.8	114.0	(1.2)	(1.05)
Deductible/Non-taxable income	(1,967.5)	(1,806.6)	(160.9)	8.91
Others	3.7	1.0	2.7	270.00
Income tax expense	<u>1,070.7</u>	<u>1,082.2</u>	<u>(11.5)</u>	<u>(1.06)</u>

In 2023, income tax expense amounted to RMB1,071 million, representing a decrease of RMB12 million year-on-year. The effective income tax rate was 8.78%, lower than the statutory rate of 25%, which was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Balance Sheet

1. Assets

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

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Net loans and advances to customers	647,276.8	44.90	605,085.4	44.74	42,191.4	6.97
Carrying balance of loans and advances to customers	676,710.6	46.94	632,677.1	46.79	44,033.5	6.96
Allowances for impairment on loans and advances to customers ⁽¹⁾	(29,433.8)	(2.04)	(27,591.7)	(2.05)	(1,842.1)	6.68
Financial investments	598,782.9	41.53	572,982.8	42.37	25,800.1	4.50
Financial assets measured at amortised cost	321,772.1	22.32	401,141.7	29.66	(79,369.6)	(19.79)
Financial assets measured at fair value through other comprehensive income	166,235.8	11.53	106,005.4	7.84	60,230.4	56.82
Financial assets measured at fair value through profit and loss	110,775.0	7.68	65,835.7	4.87	44,939.3	68.26
Cash and balances with Central Bank	55,782.7	3.87	52,894.0	3.91	2,888.7	5.46
Deposits and placements with banks and other financial institutions	108,646.0	7.54	94,666.7	7.00	13,979.3	14.77
Financial assets held under resale agreements	11,451.8	0.79	8,457.2	0.63	2,994.6	35.41
Investment in associates	477.3	0.03	454.7	0.03	22.6	4.97
Goodwill	440.1	0.03	440.1	0.03	–	–
Other assets	18,664.5	1.31	17,320.3	1.29	1,344.2	7.76
Total Assets	<u>1,441,522.1</u>	<u>100.00</u>	<u>1,352,301.2</u>	<u>100.00</u>	<u>89,220.9</u>	<u>6.60</u>

Note:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.

As of the end of 2023, the Group's total assets amounted to RMB1,441.522 billion, representing an increase of RMB89.221 billion or 6.60% as compared to the end of the previous year. The increase in the asset size of the Group was mainly due to the increase in loans and advances to customers and financial investments with detailed analysis as below:

Management Discussion and Analysis

(1) Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the composition of the Group's loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	327,783.7	48.44	298,687.4	47.21
Short-term loans	47,453.4	7.01	48,907.4	7.73
Medium and long-term loans	280,330.3	41.43	249,780.0	39.48
Retail loans and advances	290,920.1	42.99	282,769.4	44.69
Personal mortgage loans ⁽¹⁾	91,489.2	13.52	96,965.2	15.33
Personal business loans ⁽²⁾	120,119.1	17.75	101,879.8	16.10
Other loans ⁽³⁾	79,311.8	11.72	83,924.4	13.26
Discounted bills	58,006.8	8.57	51,220.3	8.10
Total loans and advances to customers	676,710.6	100.00	632,677.1	100.00

Notes:

- (1) Personal mortgage loans primarily consist of residential mortgage loans and commercial property mortgage loans.
- (2) Personal business loans primarily consist of personal loans for business purposes and personal working capital loans.
- (3) Other loans primarily consist of individual consumption loans and credit card loans.

As of the end of 2023, the carrying balance of loans and advances to customers of the Group amounted to RMB676.711 billion, representing an increase of RMB44.034 billion, or 6.96% as compared to the end of the previous year.

The gross amount of corporate loans and advances was RMB327.784 billion, representing an increase of RMB29.096 billion, or 9.74% as compared to the end of the previous year. Among which, short-term loans decreased by RMB1.454 billion, and medium-and long-term loans increased by RMB30.550 billion. The Group focused on granting credit to major projects in the Chengdu-Chongqing Economic Circle and major municipal projects in Chongqing, optimized the investment direction of the industry, promoted the credit resources to tilt towards Chongqing “33618” modern manufacturing cluster system industry; increased investment in agriculture loans to help rural revitalization, continued to innovate green credit products and expanded corporate financing channels.

Total retail loans and advances amounted to RMB290.920 billion, representing an increase of RMB8.151 billion or 2.88% over the end of the previous year. The Group centered on the strategic orientation of “anchoring the Bank with retail” and continued to increase credit placement on inclusive finance and consumer finance retail business.

Among which, total personal mortgage loans amounted to RMB91.489 billion, mainly due to the major support for the local citizens’ reasonable financing requirement for owner-occupied houses, subject to the regulatory requirements.

Total personal business loans amounted to RMB120.119 billion, representing an increase of RMB18.239 billion or 17.90% over the end of the previous year. The Group actively dedicated to the construction of digital Chongqing, accelerated the pace of digital transformation and supported the development of personal business loan business through multiple channels.

Total other loans amounted to RMB79.312 billion. The Group continued to launch its digital products and services and established an integrated product system “Yu Kuai Loan +”, laying foundation for the business development.

Discounted bills amounted to RMB58.007 billion, representing an increase of RMB6.787 billion or 13.25% as compared to the end of the previous year, which was mainly attributable to the fact that the Group met the needs of enterprises for discounted financing based on the operating situation of the real economy.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Loan amount	Percentage (%)	Loan amount	Percentage (%)
Corporate loans and advances	327,783.7	48.44	298,687.4	47.21
Leasing and business services	84,266.6	12.45	72,416.8	11.45
Water, environmental and public facility management	74,605.7	11.02	71,061.4	11.23
Manufacturing	65,672.4	9.70	61,679.4	9.75
Transportation, warehousing and postal services	27,286.1	4.03	25,503.7	4.03
Electricity, heat, gas and water production and supply industries	26,913.1	3.98	22,174.8	3.50
Wholesale and retail industries	17,242.5	2.55	15,095.2	2.39
Construction	9,444.6	1.40	8,368.1	1.32
Health and social work	6,849.2	1.01	6,834.2	1.08
Real estate	3,458.1	0.51	4,403.7	0.70
Agriculture, forestry, animal husbandry and fishery	2,575.1	0.38	2,287.5	0.36
Others	9,470.3	1.41	8,862.6	1.40
Retail loans and advances	290,920.1	42.99	282,769.4	44.69
Discounted bills	58,006.8	8.57	51,220.3	8.10
Total loans and advances to customers	676,710.6	100.00	632,677.1	100.00

In 2023, the Group continued to optimize its credit structure, actively supported the placement for key national and local projects and served the development of local economy. As of the end of 2023, the balance of the Group's corporate loans invested in leasing and business service, water, environmental and public facilities management and manufacturing industries were RMB84.267 billion, RMB74.606 billion and RMB65.672 billion respectively, accounting for 12.45%, 11.02% and 9.70% of the Group's total loans and advances, respectively.

(2) Financial Investments

As of the end of 2023, against the backdrop of the decline in market interest rate, the Group has optimized its investment structure, studied and judged the trend of interest rates, seized market opportunities, increased investment in standardized products such as bonds in a timely manner and reasonably arranged and completed a multi-level financial product investment portfolio.

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets measured at amortised cost	321,772.1	53.74	401,141.7	70.01
Financial assets measured at fair value through other comprehensive income	166,235.8	27.76	106,005.4	18.50
Financial assets measured at fair value through profit and loss	110,775.0	18.50	65,835.7	11.49
Total financial Investments	598,782.9	100.00	572,982.8	100.00

Financial investments amounted to RMB598.783 billion, representing an increase of RMB25.8 billion or 4.50% as compared to the end of the previous year. Among which, financial assets measured at fair value through other comprehensive income amounted to RMB166.236 billion, representing an increase of RMB60.230 billion or 56.82% as compared to the end of the previous year. Financial assets measured at fair value through profit and loss amounted to RMB110.775 billion, representing an increase of RMB44.939 billion or 68.26% as compared to the end of the previous year. The Group conducted in-depth research and judgment on the investment market, gave full play to professional advantages, analyzed policy orientation, studied and judged market trends, applied the technology of investment portfolios, comprehensively enhanced investment research and analysis capabilities, and increased investment in corresponding categories in a timely manner.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments by product type:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds investment	479,848.8	80.14	468,689.6	81.81
Debt instruments issued by financial institutions	2,973.0	0.50	10,967.6	1.91
Interbank certificates of deposit	75,647.0	12.63	49,185.2	8.58
Debt financing plan	2,898.4	0.48	13,301.7	2.32
Fund	36,105.8	6.03	30,206.1	5.27
Equity instruments	1,309.9	0.22	632.6	0.11
Total financial investments	598,782.9	100.00	572,982.8	100.00

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	204,281.3	42.56	188,526.5	40.22
Public institutions and quasi-government bonds	139,089.6	28.99	138,868.3	29.63
Financial institution bonds	85,299.2	17.78	90,835.8	19.38
Corporate bonds	51,178.7	10.67	50,459.0	10.77
Total bonds investment	479,848.8	100.00	468,689.6	100.00

The Group optimized the structure of financial investment. As of the end of 2023, the government bonds increased by RMB15.755 billion as compared to the end of the previous year.

(3) Cash and balances with Central Bank

As of the end of 2023, total cash and balances with the Central Bank of the Group amounted to RMB55.783 billion, representing an increase of RMB2.889 billion or 5.46% as compared to the end of the previous year, which was mainly attributable to the fluctuation of surplus reserve deposits.

(4) Deposits and placements with banks and other financial institutions

As of the end of 2023, deposits and placements with banks and other financial institutions of the Group amounted to RMB108.646 billion, representing an increase of RMB13.979 billion or 14.77% as compared to the end of the previous year, which was mainly due to the fact that the Group rationally utilized funds and adjusted its asset structure based on its own business needs.

(5) Financial assets held under resale agreements

As of the end of 2023, financial assets held under resale agreements of the Group amounted to RMB11.452 billion, representing an increase of RMB2.995 billion or 35.41% as compared to the end of the previous year, which was mainly due to the fact that the Group adjusted its capital utilization structure after comprehensively taking into account the needs of asset-liability and liquidity management.

(6) Investment in associates

As of the end of 2023, the investment in associates of the Group amounted to RMB477 million, representing an increase of RMB23 million or 4.97% as compared to the end of the previous year.

(7) Other assets

As of the end of 2023, other assets of the Group amounted to RMB18.665 billion, representing an increase of RMB1.344 billion or 7.76% as compared to the end of the previous year. Other assets include fixed assets, deferred income tax assets, right-of-use assets, other receivables and foreclosed assets, etc. Among which, the Group's foreclosed assets was RMB36 million, and the balance of impairment allowances for foreclosed assets was RMB4 million. Foreclosed assets referred to that the Group may obtain the title of the collateral, through legal actions or voluntary delivery of the borrowers, as compensation for the losses on loans and advances and interest receivable, when recovering impaired loans and advances. Please refer to "Other Assets" under Notes to the Financial Statements for details.

Management Discussion and Analysis

2. Liabilities

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

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Deposits from customers	896,202.2	68.02	824,946.8	66.70	71,255.4	8.64
Deposits and placements from banks and other financial institutions	107,264.2	8.14	93,529.2	7.56	13,735.0	14.69
Debt securities issued	119,579.4	9.08	171,069.2	13.83	(51,489.8)	(30.10)
Borrowings from Central Bank	107,161.7	8.13	86,393.4	6.98	20,768.3	24.04
Financial assets sold under repurchase agreements	63,309.7	4.80	42,465.6	3.43	20,844.1	49.08
Other liabilities	24,063.1	1.83	18,440.7	1.50	5,622.4	30.49
Total liabilities	1,317,580.3	100.00	1,236,844.9	100.00	80,735.4	6.53

As of the end of 2023, the total liabilities of the Group amounted to RMB1,317.580 billion, representing an increase of RMB80.735 billion or 6.53% as compared with the end of the previous year. Deposits from customers are the most core liabilities source of the Group. The increase in the scale of the Group's liabilities was mainly attributable to the increase in the deposits from customers with detailed analysis as below:

(1) Deposits from customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Subtotal corporate deposits	141,843.0	15.83	141,081.9	17.10
Demand deposit	95,349.9	10.64	104,856.8	12.71
Time deposit	46,493.1	5.19	36,225.1	4.39
Subtotal personal deposits	747,178.0	83.37	677,351.3	82.11
Demand deposit	145,705.7	16.26	145,893.6	17.69
Time deposit	601,472.3	67.11	531,457.7	64.42
Pledged deposits	7,171.9	0.80	6,504.6	0.79
Other deposits	9.3	–	9.0	–
Total deposits from customers	896,202.2	100.00	824,946.8	100.00

As of the end of 2023, total deposits from customers amounted to RMB896.202 billion, representing an increase of RMB71.255 billion or 8.64% as compared to the end of the previous year. The Group leveraged its channel and retail advantages, strengthened classification management of the customer group, created unique deposits, explored potential and improved customer deposit satisfaction, resulting in steady growth in deposits from customers.

In terms of customer structure, corporate deposits amounted to RMB141.843 billion, representing an increase of RMB761 million or 0.54% over the end of the previous year, the percentage of deposits from customers recorded a decrease of 1.27 percentage points as compared to the end of the previous year; personal deposits amounted to RMB747.178 billion, representing an increase of RMB69.827 billion or 10.31% over the end of the previous year, the percentage of total deposits from customers recorded a further increase of 1.26 percentage points as compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB241.056 billion, representing a decrease of RMB9.695 billion or 3.87% over the end of the previous year, and accounted for 26.90% of total deposits from customers. Time deposits amounted to RMB647.965 billion, representing an increase of RMB80.283 billion or 14.14% over the end of the previous year, with the proportion of total deposits from customers of 72.30%.

Management Discussion and Analysis

(2) Deposits and placements from banks and other financial institutions

As of the end of 2023, the deposits and placements from banks and other financial institutions of the Group increased by RMB13.735 billion or 14.69% as compared with the end of the previous year.

(3) Debt securities issued

As of the end of 2023, the Group's debt securities issued decreased by RMB51.490 billion or 30.10% as compared with the end of the previous year, which was mainly due to the fact that the Group optimized its debt investment and financing structure and actively reduced the costs of debt financing. The Group has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the "Rules No. 2 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of Annual Report (Revision 2021)" and the "Administrative Measures on Information Disclosure of Corporate Credit Bonds". For details, please refer to "Debt securities issued" under Notes to the Financial Statements.

(4) Borrowings from Central Bank

As of the end of 2023, the Group's borrowings from Central Bank increased by RMB20.768 billion or 24.04% as compared with the end of the previous year, which was mainly due to the fact that the Group proactively used the Central Bank's monetary policy tools and newly added Central Bank's special funds including re-loans in support of agriculture and micro and small enterprises, medium-term lending facilities, etc.

(5) Financial assets sold under repurchase agreements

As of the end of 2023, the financial assets sold under repurchase agreements of the Group increased by RMB20.844 billion or 49.08% as compared to the end of the previous year, mainly due to the adjustment of liabilities structure of the Group based on the market condition.

(6) Other liabilities

As of the end of 2023, other liabilities of the Group amounted to RMB24.063 billion, representing an increase of RMB5.622 billion or 30.49% as compared with the end of the previous year. Other liabilities consist of accrued staff costs, taxes payable, lease liabilities and other payables, etc.

(7) Liability quality analysis

The Bank attached great importance to liability quality management and has established a liability quality management system corresponding to the scale and complexity of liabilities. It adhered to a steady and prudent strategy, continued to strengthen refined management of the total amount, structure and cost of liabilities, and promoted the high-quality development of liability business. Firstly, the Bank adhered to the balanced development of volume and price of liabilities business, vigorously expanded low-cost capital sources, promoted steady decline in the interest-bearing rate of deposits and constantly consolidated the effect of interest payment cost control. Secondly, the Bank made proper arrangements for active liabilities, rationally arranged the issuance plans for active liabilities such as inter-bank liabilities and financial liabilities in combination with the needs of business development and liquidity management, and kept diversified liability channels and sources. At the same time, the Bank strengthened the research and judgement on the trend of market interest rate and grasped the issuance window of active liabilities to effectively control the interest payment costs.

In 2023, the Group's liability business grew steadily, and the performance of liability quality indicators was good. The net stable fund ratio of the Group was 126.22%, and the liquidity coverage ratio was 414.05%, both of which were better than the regulatory requirements and internal limit requirements. The interest-bearing liability cost ratio was 2.03%, representing a decrease of 10 basis points as compared with the previous year.

3. Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Share capital	11,357.0	9.16	11,357.0	9.84	–	–
Other equity instruments	5,997.6	4.84	5,997.6	5.19	–	–
Capital reserve	20,895.1	16.86	20,924.6	18.12	(29.5)	(0.14)
Investment revaluation reserve	694.9	0.56	(345.8)	(0.30)	1,040.7	(300.95)
Actuarial changes reserve	(719.3)	(0.58)	(576.2)	(0.50)	(143.1)	24.84
Surplus reserve	14,822.2	11.96	13,841.8	11.99	980.4	7.08
General risk reserve	19,117.7	15.42	17,848.9	15.46	1,268.8	7.11
Retained earnings	50,008.6	40.35	44,675.6	38.70	5,333.0	11.94
Equity attributable to						
shareholders of the Bank	122,173.8	98.57	113,723.5	98.50	8,450.3	7.43
Non-controlling interests	1,768.0	1.43	1,732.8	1.50	35.2	2.03
Total shareholders' equity	123,941.8	100.00	115,456.3	100.00	8,485.5	7.35

Management Discussion and Analysis

As of the end of 2023, total equity of the Group amounted to RMB123,942 million, representing an increase of RMB8,486 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, investment revaluation reserve increased by RMB1,041 million as compared to the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; general risk reserve increased by RMB1,269 million as compared to the end of the previous year, mainly due to provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

4. Off-Balance-Sheet Items

As of the end of 2023, off-balance-sheet items of the Group mainly include unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued, and their respective balances amounted to RMB27,898 million, RMB11,051 million, RMB1,600 million and RMB2,736 million respectively. All the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were approved but not contracted or unfulfilled contracts with amount of RMB415 million. The operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

(III) Cash Flows Statement Analysis

The following table sets forth, for the years indicated, the Group's cash flow statement:

(Expressed in RMB million, unless otherwise stated)	2023	2022
Net cash flow from operating activities	39,459.4	70,901.2
Net cash flow from investing activities	30,839.5	(15,314.9)
Net cash flow from financing activities	<u>(58,624.6)</u>	<u>(59,932.4)</u>

Net cash inflows from operating activities amounted to RMB39,459 million, representing a year-on-year decrease of RMB31,442 million, among which, the cash inflow was RMB166,600 million, representing a year-on-year decrease of RMB7,813 million, mainly due to a year-on-year decrease in the net increase in the deposits from customers and deposits from banks and other financial institutions; and the cash outflow was RMB127,141 million, representing a year-on-year increase of RMB23,628 million, mainly due to a year-on-year increase in the net increase in financial assets held for trading purpose.

Net cash inflow from investing activities amounted to RMB30,840 million, representing a year-on-year increase of RMB46,154 million. In particular, cash inflow amounted to RMB313,299 million, representing a year-on-year increase of RMB6,423 million, which was mainly due to the increase in cash received from recovery of investments; cash outflow amounted to RMB282,459 million, representing a year-on-year decrease of RMB39,732 million, which was mainly due to the decrease in cash payments on investments.

Net cash outflow from financing activities amounted to RMB58,625 million, representing a year-on-year decrease of RMB1,308 million. In particular, cash inflow amounted to RMB234,976 million, representing a year-on-year increase of RMB6,607 million, which was mainly due to the increase in the cash received from the issuance of debt bonds by the Group; cash outflow amounted to RMB293,600 million, representing a year-on-year increase of RMB5,300 million, which was mainly due to the increase in the cash paid for repayment of debt bonds.

III. Loan Quality Analysis

(I) Breakdown of Loans by the five-category classification

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

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	660,952.9	97.67	616,790.2	97.49
Special mention	7,698.5	1.14	8,170.4	1.29
Substandard	3,527.7	0.52	4,404.8	0.70
Doubtful	3,750.1	0.55	2,964.6	0.47
Loss	781.4	0.12	347.1	0.05
Total loans and advances to customers	676,710.6	100.00	632,677.1	100.00
Balance of NPLs	8,059.2		7,716.5	
NPL ratio (%)		1.19		1.22

In 2023, the Group actively responded to changes in macro-economic environment, continued to strengthen asset quality control, conducted the recovery and disposal of non-performing assets in a timely manner and comprehensively improved quality of assets. As of the end of 2023, balance of NPLs of the Group was RMB8,059 million, representing an increase of RMB343 million as compared to that of the end of the previous year. The NPL ratio was 1.19%, representing a decrease of 0.03 percentage point as compared to that of the end of the previous year. Among which, the balance of NPLs of urban area and the balance of NPLs of county area accounted for 54.19% and 45.81% of the Group, respectively.

(II) Concentration of Loans

1. Concentration by industry and distribution of NPL

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry:

(Expressed in RMB million, unless otherwise stated)	31 December 2023				31 December 2022			
	Loan amount	Percentage (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans and advances	327,783.7	48.44	3,395.7	1.04	298,687.4	47.21	4,399.6	1.47
Manufacturing	65,672.4	9.70	592.7	0.90	61,679.4	9.75	734.9	1.19
Production and supply of electricity, heating, gas and water	26,913.1	3.98	247.1	0.92	22,174.8	3.50	578.0	2.61
Real estate	3,458.1	0.51	320.6	9.27	4,403.7	0.70	320.6	7.28
Leasing and commercial services	84,266.6	12.45	302.8	0.36	72,416.8	11.45	201.9	0.28
Water conservancy, environment and public utility management	74,605.7	11.02	406.3	0.54	71,061.4	11.23	459.4	0.65
Construction	9,444.6	1.40	65.7	0.70	8,368.1	1.32	44.9	0.54
Wholesale and retail	17,242.5	2.55	498.7	2.89	15,095.2	2.39	822.5	5.45
Others	46,180.7	6.83	961.8	2.08	43,488.0	6.87	1,237.4	2.85
Retail loans and advances	290,920.1	42.99	4,662.5	1.60	282,769.4	44.69	3,315.9	1.17
Discounted bills	58,006.8	8.57	1.0	0.00	51,220.3	8.10	1.0	0.00
Total loans and advances to customers	676,710.6	100.00	8,059.2	1.19	632,677.1	100.00	7,716.5	1.22

Since 2023, the Group has fully researched and judged regulatory policies, strictly implemented the guidelines on credit supply, strictly controlled credit access, and strengthened the monitoring of customers in key fields and the key industry, thus its corporate non-performing loans continued to show a trend of “double decline” and the asset quality has been improved constantly. However, the continuous influence of the slowdown of macro-economy on retail customers brought impact on the asset quality of retail loans of the Group to a certain extent.

2. Concentration of borrowers

As of the end of 2023, the Group's total loans to its largest single borrower accounted for 3.72% of its net capital while total loans to its top ten clients accounted for 22.98% of its net capital. All the Group's loans to top ten largest single borrowers were not NPLs as of the end of December 2023.

(1) Indicators of concentration

Major Regulatory Indicators (%)	Regulatory standard	31 December 2023	31 December 2022	31 December 2021
Percentage of the loans to largest single client to the net capital	≤10	3.72	3.21	2.73
Percentage of the loans to single group client to the net capital	≤15	6.29	6.73	5.84
Percentage of the loans to top ten clients to the net capital	—	22.98	22.37	24.00

(2) Top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	31 December 2023	
		Amount	Percentage of total loans and advances (%)
Client A	Water conservancy, environment and public utility management	5,127.6	0.76
Client B	Transportation, warehousing and postal services	4,136.7	0.61
Client C	Leasing and commercial service	3,463.3	0.51
Client D	Leasing and commercial service	3,315.0	0.49
Client E	Manufacturing	3,003.3	0.44
Client F	Water conservancy, environment and public utility management	2,766.3	0.41
Client G	Production and supply of electricity, heating, gas and water	2,742.2	0.41
Client H	Water conservancy, environment and public utility management	2,495.2	0.37
Client I	Water conservancy, environment and public utility management	2,292.1	0.34
Client J	Water conservancy, environment and public utility management	2,291.7	0.34

(III) Distribution of Loans and NPLs by Product Type

The following table sets forth, for the dates indicated, the loans and NPLs of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	31 December 2023			31 December 2022		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances	327,783.7	3,395.7	1.04	298,687.4	4,399.6	1.47
Short-term loans	47,453.4	957.0	2.02	48,907.4	1,471.9	3.01
Medium-and-long-term loans	280,330.3	2,438.7	0.87	249,780.0	2,927.7	1.17
Retail loans and advances	290,920.1	4,662.5	1.60	282,769.4	3,315.9	1.17
Personal mortgage loans	91,489.2	1,019.8	1.11	96,965.2	750.5	0.77
Personal business loans	120,119.1	2,464.1	2.05	101,879.8	1,513.0	1.49
Other loans	79,311.8	1,178.6	1.49	83,924.4	1,052.4	1.25
Discounted bills	58,006.8	1.0	0.00	51,220.3	1.0	0.00
Total loans and advances to customers	676,710.6	8,059.2	1.19	632,677.1	7,716.5	1.22

As of the end of 2023, non-performing ratio of corporate loans of the Group decreased by 0.43 percentage point to 1.04% as compared with the end of the previous year. Affected by the slowdown of macro-economy, the revenue of individual retail customers has decreased and their solvency has weakened, resulting in an increase of 0.43 percentage point in the non-performing ratio of retail loans of the Group to 1.60% as compared with the end of the previous year.

(IV) Restructured Loans and Advances to Customers

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	614.5	0.09	213.2	0.03

According to the the Measures for the Risk Classification of Financial Assets of Commercial Banks issued by the former China Banking and Insurance Regulatory Commission and the People's Bank of China, which came into effect on 1 July 2023, restructured loans refer to loans for which the Group has made changes to the corresponding loan contract in favor of the debtor in distress or has provided it with means of refinancing such as rollover or additional debt financing, for the purpose of facilitating repayment. As of the end of 2023, the balance of restructured loans of the Group that meet the requirements of the above measures was RMB614 million. As of the end of 2022, the balance of restructured loans of the Group that meet the original relevant requirements was RMB213 million.

(V) Overdue Loans and Advances to Customers

The following table sets forth, for the dates indicated, the aging analysis of the Group's overdue loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	3,312.8	0.49	2,779.1	0.44
Overdue for 3 months to 1 year	3,167.5	0.47	3,360.9	0.53
Overdue for over 1 year and within 3 years	2,509.9	0.37	1,655.0	0.26
Overdue for more than 3 years	613.9	0.09	620.1	0.10
Total overdue loans and advances to customers	9,604.1	1.42	8,415.1	1.33

As of the end of 2023, the total overdue loans of the Group amounted to RMB9,604 million, representing an increase of RMB1,189 million from the end of the previous year; overdue loans accounted for 1.42%, representing an increase of 0.09 percentage point from the end of the previous year.

Management Discussion and Analysis

(VI) Changes in Provision for Loans Impairment

The following table sets forth, for the periods indicated, the changes in the Group's provision for loans impairment:

(Expressed in RMB million, unless otherwise stated)	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2022	14,175.6	6,246.7	7,169.4	27,591.7
Transfer:				
to stage 1	959.8	(848.4)	(111.4)	–
to stage 2	(271.3)	580.9	(309.6)	–
to stage 3	(116.2)	(650.4)	766.6	–
Provision for the year	2,377.6	87.6	1,655.1	4,120.3
Write-off and others for the year	–	–	(4,209.8)	(4,209.8)
Recovery of loans written-off for the year	–	–	1,931.6	1,931.6
Balance as at 31 December 2023	17,125.5	5,416.4	6,891.9	29,433.8

(VII) Distribution of Loans by Type of Collateral

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	134,003.1	19.80	110,725.3	17.50
Guaranteed loans	177,830.1	26.28	171,484.8	27.10
Collateralised loans	256,972.4	37.97	252,180.8	39.86
Pledged loans	107,905.0	15.95	98,286.2	15.54
Total loans and advances to customers	676,710.6	100.00	632,677.1	100.00

(VIII) Loan Migration Ratios

Items (%)	31 December 2023	31 December 2022	31 December 2021
Migration ratios of normal loans	1.43	1.54	1.93
Migration ratios of special-mentioned loans	26.60	38.49	60.98
Migration ratios of substandard loans	51.25	29.81	65.23
Migration ratios of doubtful loans	16.98	2.77	1.78

Loan migration ratio is calculated according to 1104 statement of the National Finance Regulatory Administration and is the data of the Group. In 2023, the migration ratio of substandard loans and doubtful loans of the Group recorded a year-on-year increase, mainly because the Group continued to promote the implementation of the Measures for Classification of Financial Assets Risks and reclassified the substandard loans and doubtful loans that meet the requirement of migration in an orderly manner during the transitional period.

IV. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is in excess of the regulatory minimum, and to reserve capital buffers as risk absorber for ensuring a more resilient financial system.

In 2023, the Group continued to promote the refinement of capital management, implemented the capital planning for 2023-2025, rationally arranged risk-weighted asset plans, optimized business structure, improved capital utilization efficiency, maintained continuous growth of capital, further consolidated capital strength of the Bank, and constantly enhanced the service capability for real economy. During the year, the capital indicators performed well, providing a strong guarantee for the Group's stable business development and strategic implementation.

(I) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and relevant provisions, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village and township banks, CQRC Financial Leasing and CQRC Wealth Management.

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As at the end of 2023, the Group's capital adequacy ratio was 15.99%, representing an increase of 0.37 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 13.53% and 14.24%, respectively, representing an increase of 0.43 percentage point and 0.40 percentage point respectively from the end of the previous year. The increase in the Group's capital adequacy ratio from the end of the previous year was mainly due to that firstly the net profit for the year and the internal capital supplement increased year-on-year; secondly, the business structure continued to adjust, the overall asset allocation was concentrated in low-weight assets, the growth rate of risk-weighted assets was much lower than that of total assets, and the capital consumption declined.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	116,457.3	104,057.3	107,950.9	97,443.0
Net tier 1 capital	122,587.9	110,054.9	114,065.8	103,440.7
Net capital	137,660.4	124,143.1	128,708.3	117,221.9
Risk-weighted assets	860,884.9	796,915.7	824,181.2	768,312.2
Include: Credit risk weighted assets	794,324.4	736,145.7	762,042.6	711,276.4
Market risk weighted assets	11,692.8	10,523.5	7,126.9	5,995.9
Operational risk weighted assets	54,867.7	50,246.5	55,011.7	51,039.9
Core tier 1 capital adequacy ratio (%)	13.53	13.06	13.10	12.68
Tier 1 capital adequacy ratio (%)	14.24	13.81	13.84	13.46
Capital adequacy ratio (%)	15.99	15.58	15.62	15.26

Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	31 December 2023	31 December 2022
Core tier 1 capital	117,173.6	108,605.7
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,870.7	20,002.6
Surplus reserve and general risk reserve	33,939.9	31,690.7
Retained earnings	50,008.6	44,675.6
Non-controlling interests	997.4	879.8
Core tier 1 capital deductible items	(716.3)	(654.8)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(284.0)	(225.1)
Total of others that should be deducted from core tier 1 capital	7.8	10.4
Core tier 1 capital, net	116,457.3	107,950.9
Other tier 1 capital	6,130.6	6,114.9
Undated capital bonds	5,997.6	5,997.6
Non-controlling interests	133.0	117.3
Net tier 1 capital	122,587.9	114,065.8
Tier 2 capital	15,072.5	14,642.5
Tier 2 capital instruments and related premium that may be included	5,000.0	5,000.0
Excessive loan loss allowances	9,806.5	9,407.9
Non-controlling interests	266.0	234.6
Net capital	137,660.4	128,708.3
Total risk-weighted assets	860,884.9	824,181.2
Core tier 1 capital adequacy ratio (%)	13.53	13.10
Tier 1 capital adequacy ratio (%)	14.24	13.84
Capital adequacy ratio (%)	15.99	15.62

Management Discussion and Analysis

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2023		31 December 2022	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,370,980.6	1,340,003.1	1,325,576.4	1,264,821.3
Off-balance sheet credit risk	19,972.7	12,393.3	26,640.5	12,176.9
Counterparty credit risk	20,989.7	20,989.7	12,523.7	12,523.7
Total	<u>1,411,943.0</u>	<u>1,373,386.1</u>	<u>1,364,740.6</u>	<u>1,289,521.9</u>

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the “investor relations – capital supervision” column on the website of the Bank (www.cqrcb.com).

(II) Leverage Ratio

The Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

As at the end of 2023, the Group’s leverage ratio was 8.40%, an increase of 0.13 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital was higher than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2023
Consolidated total assets	1,439,720.4
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	88.2
Securities financing transactions adjustments	196.9
Off-balance sheet item adjustments	20,380.5
Other adjustments	(716.3)
The balance of assets on and off-balance sheet after adjustments	<u>1,459,669.7</u>

The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2023
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,431,550.5
Less: tier 1 capital deduction	(716.3)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,430,834.2
Replacement cost of various types of derivatives (net of qualified margins)	20.9
Potential risk exposure in various derivatives	88.2
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivatives assets which can be deducted	–
The balance of derivatives assets	109.1
The balance of accounting assets for securities financing transactions	8,149.0
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	196.9
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
The balance of securities financing transactions assets	8,345.9
The balance of items off balance sheet	43,882.0
Less: the balance of items off balance sheet reduced due to credit conversion	(23,501.5)
The balance of items off balance sheet after adjustments	20,380.5
Tier 1 capital, net	122,587.9
The balance of assets on and off-balance sheet after adjustments	1,459,669.7
Leverage ratio (%)	8.40

V. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	31 December 2023		31 December 2022	
	County Area	Urban Area	County Area	Urban Area
Deposits	72.18	27.82	71.80	28.20
Loans	49.30	50.70	50.15	49.85
Assets	51.93	48.07	51.63	48.37
Deposit-loan ratio	51.57	137.62	53.57	135.55

In 2023, the Group's deposits in county area accounted for 72.18%, an increase of 0.38 percentage point over the end of the previous year. The loans in county area accounted for 49.30%, a decrease of 0.85 percentage point over the end of the previous year, and the assets in county area accounted for 51.93%, an increase of 0.30 percentage point over the end of the previous year; county-level deposit to loan ratio was 51.57%, a decrease of 2.0 percentage points over the end of the previous year. Based on Chongqing, the Group deeply cultivates the rural economy, continuously increases the loans and insists on improving the county's financial service capabilities, and supports the development of county economy.

(II) Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	9,165.6	32.79	9,311.7	32.17
Retail banking business	12,337.4	44.13	12,175.2	42.07
Financial market business	6,406.0	22.91	7,431.6	25.68
Unallocated	48.2	0.17	22.8	0.08
Total operating income	27,957.2	100.00	28,941.3	100.00

In 2023, the Group's operating income of corporate banking business was RMB9,166 million, accounting for 32.79%, representing a year-on-year increase of 0.62 percentage point; operating income of retail banking business was RMB12,337 million, accounting for 44.13%, representing a year-on-year increase of 2.06 percentage points; operating income of financial market business was RMB6,406 million, accounting for 22.91%, representing a year-on-year decrease of 2.77 percentage points. In recent years, the Bank has been adhering to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, served real economy and increased the efforts to provide credit support for personal and small and micro enterprises. The proportion of operating income of retail banking business continued to increase.

VI. Business Overview

(I) Inclusive Finance Business



1. Personal Deposit and Loan Business

Personal deposit business. The Bank continued to build a “functional, characteristic and scenario-based” product classification management system, optimized the deposit structure, tapped the deposit potential and contribution of key customer groups, and created characteristic deposit products and activities for merchant customers, mortgage loan customers and key festivals to enhance the customers’ sense of exclusivity and inject strong momentum into precision marketing. As at the end of 2023, the balance of personal deposits amounted to RMB747,178 million, representing an increase of RMB69,827 million or 10.31% over the end of the previous year. Total personal deposits and increment market share ranked first in Chongqing. The interest payment rate of personal deposits was 1.97%, representing a year-on-year decrease of 14 basis points. The Bank realized the full online process of withdrawal of petty deposits of deceased depositor nationwide for the first time, built one-stop online convenient financial service and promoted the construction of digital Chongqing.

Personal loan business. Focusing on the strategic orientation of “anchoring the Bank with retail”, we continued to increase the supply of retail credit. The Bank ranked first in Chongqing in terms of balance and increment of retail consumption loans (excluding mortgages and third-party joint loans), successfully released the first housing provident fund loans for flexible employment personnel in Chongqing, made significant breakthroughs in new citizen services and realized a full coverage of the Bank’s outlets for applying first-hand house provident fund loans. The Bank launched “Yukuai Loan New Citizen Leasing Loan (渝快貸新市民租賃貸)”, and promoted the “mortgage transfer” business with the acceptance volume ranking first in Chongqing, driving a year-on-year increase of RMB1,729 million in the increment of mortgage placement. “Yukuai Loan”, a “10 billion-level” hit product, reached a new high level, which maintained the first place in terms of the balance and increment of similar products in Chongqing. As at the end of 2023, the balance of such loans amounted to RMB17,833 million, representing an increase of RMB6,703 million as compared with the end of the previous year and the increment increased by RMB2,089 million year-on-year.

2. *Bank Card Business*

Debit card business. The Bank has continuously improved the “Jiangyu” branded debit card product system, and issued debit card for the year of Rabbit for the first time and continuously improved the functions of products to boost the steady growth of debit card business. As at the end of 2023, the total number of debit cards issued by the Bank reached 29,472,300. Specially, nostalgia series of debit cards issued with the function of subsidizing offsite remittance fees reached an issued number of 12,763,500.

Credit card business. The Bank created a card user-friendly environment, promoted the construction of “Yukuai Life BBC Financial Ecosphere”, opened up online installment scenarios, and cooperated with large stores, well-known brands and mainstream payment platforms to carry out a series of activities such as “Yukuai Life • 7 Encounters” and “Online Payment • 7 Encounters”. The Bank optimized the marketing model, upgraded the structure of “One Card with Multiple Businesses”, created diversified online channels for acquiring customers, and innovated and popularized the new mode of remote face-to-face interviews and recommended card applications. The Bank paid attention to product application, launched new products such as “Yukuai Home Life • Housing Fast Loan 2.0” and “Yukuai E Installment”, strengthened the marketing of key products such as Sichuan-Chongqing Unbounded Card, Green Financial Card and Rural Revitalization Card, and intensified the marketing of outgoing calls of billing installment. The total number of credit cards amounted to 2,047,600, representing a net increase of 175,500 or 9.37% as compared to the end of the previous year, and the credit balance amounted to RMB14,948 million, representing a net increase of RMB2,526 million or 20.33% as compared to the end of the previous year, with the increment and growth ranking first in the industry in Chongqing.

Merchant business. The Bank innovated merchant products, forming five categories of system products, namely store cashier channel, the Bank's mobile App channel, WeChat official account, WeChat applet and payment gateway. The Bank innovated the merchant cooperation mode, actively integrated into the "Sunshine Catering Platform" in Chongqing, took the lead in launching the "Yukuai Life Payment • Catering Sunshine Code", and was successfully connected to Chongqing tobacco retail, payment of social insurance premiums, UnionPay panorama, smart medical care, smart supermarket, smart parking lot and other industry scenarios. The Bank innovated merchant marketing methods, focusing on the cluster marketing of catering merchants in business districts. The transaction amount of merchants for the year amounted to RMB187.127 billion, representing a year-on-year increase of RMB22.694 billion or 13.80%, and the average daily balance of AUM+LUM of merchants amounted to RMB142.094 billion, representing a net increase of RMB44.327 billion or 45.36% as compared to the end of the previous year.

3. *Wealth Management Business*

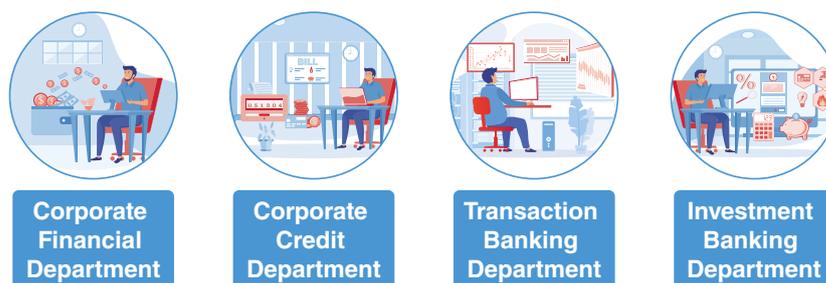
Continue to optimize customer structure. The proportions of VIP customers exceeded 10% for the first time, the AUM per account increased RMB5,000, and comprehensive customers increased by 11.31%, representing a fivefold year-on-year increase, driving a year-on-year increase of RMB21.2 billion in AUM and LUM. The Bank has 92,600 high-net-worth customers (diamond or above grade), representing a net increase of 8,600 or 10.27% as compared with the beginning of the year; the average daily balance of AUM amounted to RMB107.54 billion, representing a net increase of RMB8.82 billion or 8.9%; and the average daily balance of LUM amounted to RMB60.60 billion, representing a net increase of RMB5.27 billion or 9.5% as compared with the beginning of the year.

Continue to enrich wealth management products. The Bank and the CQRC Wealth Management jointly launched the "Steady Microwave" and "Steady Low Wave" wealth management products, adding 48 wealth management products such as agency insurance, funds, trusts and asset management to meet the financial needs of customer groups with different risk. Combining the achievements of digital transformation, the Bank continued to optimize the business processes and expand the business channels, and realized online handling and "7×24-hour" transactions of agency insurance and trust products through mobile banking App, thus enhancing customers' purchasing experience. In 2023, revenue from wealth management business exceeded RMB300 million.

4. *Small and Micro Businesses*

The Bank focused the main responsibility and business of serving the real economy, increased the loans to small and micro enterprises and individual industrial and commercial households, and strove to do a good job in the “Inclusive Finance Business”. The Bank promoted the “wide coverage” of financing connection, launched the grid service of “Party Building + Finance”, selected and strengthened the finance service team for small and micro enterprises, and relied on the business institutions covering the whole city to accelerate the grid layout of the centralized regions of small and micro-market entities such as parks, markets, business districts and communities, and improved the normalized bank-enterprise connection mechanism. The Bank deepened and expanded the effectiveness of “All-Staff Marketing”, promoted the “Application for Loans on Code” and built a multi-level marketing service network with full online and offline coverage. The Bank innovated a featured product of “Cu Tou Fang”, focused on the “scientific and technological innovation”, deepened the cultivation and support mechanism, innovatively launched the “Specialized, Refined, Differential and Innovational” special loan, and deepened the cooperation among banks, governments and guarantee agencies. The Bank focused on “individual industrial and commercial households”, completed the “portraits” of individual industrial and commercial households through the mode of “online running number + offline running street”, upgraded and built the “Yukuai Revitalization Loan” platform, launched special products such as “Merchant Loan” and “Catering Loan”, and optimized and iterated the “Housing Fast Loan”. The Bank created the “Excellent Service” with intelligent process, and further promoted the online and paperless transformation of credit process for small and micro enterprises. All major personal operational loan products can be handled online in the whole process. In the whole year, the amount of loans to small and micro enterprises handled through online channels exceeded RMB120 billion, representing a year-on-year increase of RMB17 billion. As of the end of 2023, the number of inclusive small and micro enterprise loans of the Bank amounted to 197,300, representing an increase of 21,300 as compared with the beginning of the year; the loan balance amounted to RMB128.516 billion, representing an increase of RMB15.477 billion as compared with the beginning of the year and growth rate of 13.69%, ranking the first in Chongqing in terms of the increment and stock. The weighted average interest rate for the new inclusive loans issued to small and micro enterprise for the year was 4.75%, achieving the goal of “two increases and two controls”.

(II) Corporate Financial Business



Corporate Business. Focusing on major fields such as the Chengdu-Chongqing Economic Circle, the New International Land-Sea Corridor, municipal key construction projects in Chongqing and “33618” modern manufacturing industry cluster system, the Bank proactively carried out the construction of a green financial system, focused on advanced manufacturing, supported the real economy to become better and stronger, continuously increased its support for areas that benefit people’s livelihood such as rural revitalization and the supply of utilities, gradually improved its international settlement and cross-border service capabilities, and steadily promoted high-quality development of the corporate business. As at the end of 2023, the balance of corporate deposit of the Group amounted to RMB141,843 million, representing an increase of RMB761 million as compared to the end of previous year. The balance of corporate loans was RMB327,784 million, representing an increase of RMB29,096 million as compared to the end of previous year.

Serving the implementation of major strategies



**Chengdu-Chongqing
Economic Circle**



**“33618” modern
manufacturing
industry cluster system**



**Construction of the
New International
Land-Sea Corridor**

Strengthen the financial service for Chengdu-Chongqing Economic Circle. The Bank established a head office-branch linkage follow-up mechanism according to the “project-based, inventory-based and responsibility-based” requirements and fully covered and interconnected the major projects in Chongqing. As of the end of 2023, the Bank supported 157 major projects in the Chengdu-Chongqing Economic Circle and municipal key projects in Chongqing in 2023 with the credit amount of RMB121.076 billion. The loan balance amounted to RMB25.978 billion.

Support the construction of the New International Land-Sea Corridor. Since 2017, the Bank has made on and off-balance sheet investment of more than RMB100 billion in aggregate in customers and projects of the New International Land-Sea Corridor. As of the end of 2023, the financing balance of the Bank in terms of supporting the infrastructure construction projects of the new western land and sea corridor amounted to RMB1.72 billion, the financing balance in terms of supporting the transportation and logistics field of the New International Land-Sea Corridor amounted to RMB6.75 billion and the financing in terms of supporting the manufacturing and commerce and trade enterprises that have economic and trade ties with the ASEAN amounted to RMB15.88 billion. The Bank established the organizational framework of the New International Land-Sea Corridor and formulated the Scheme on Financial Support to the New International Land-Sea Corridor. The Bank promoted the product innovation of “channel-rail financing”, and implemented the “one-single-system” digital bills of lading of the land-sea new channel multimodal transport and the movable property pledge financing “channel-rail financing” to grant the financing of RMB2.137 million, which became an innovative model for digitally empowering the development of new land-sea channel enterprises. The Bank continued to promote the expansion and increment of new products such as “Land-Sea New Channel Loan” and “Land-Sea Chain Financing”, and granted RMB28.40 million of “Land-Sea New Channel Loan” and USD29.1913 million of “Land-Sea Chain Financing” during the year, providing strong financial support for channel enterprises.

Help to establish “33618” modern manufacturing industry cluster system. The Bank optimized industry investment, and promoted the credit resources to tilt towards “33618” modern manufacturing cluster system industry of Chongqing. The Bank also optimized customer structure, strengthened the marketing to “specialized, refined, differential, and innovative” enterprises and made efforts to implement and refine financial services. The Bank optimized credit plan and focused on promoting the implementation of the “Excellent Customer Promotion Plan” for manufacturing enterprises. The Bank obtained a number of heavyweight customers in the field of intelligent network new energy vehicles, advanced materials and new energy storage via marketing. The new loans released to the manufacturing industry accounted for nearly 30% of the new corporate loans for 2023.

Institutional business. The Bank actively participated in the bidding for cash management of the central treasury, and won the bid for five times, bringing in a total of RMB21.8 billion from other cities for Chongqing. The Bank adjusted the target customer base, took the initiative to conduct active marketing, and made every effort to stabilize and increase deposits. The Bank strengthened the daily notification mechanism of deposit monitoring, and monitored the changes of key large customers and the incoming and outgoing large-amount funds in real time. The Bank formulated the “Marketing Guidelines for Rural Collective Economic Organizations”, gave full play to the depth advantages of outlets, and continued to do a good job in the marketing of accounts and deposits of rural collective economic organizations, and the accounts opened by the rural collective economic organizations with the Bank accounted for 80.65% of those in Chongqing.

Transaction banking business. The Bank recorded the international settlement of USD4,828 million and foreign exchange settlement and sale of USD1,534 million. Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing, of which the transaction volume of interbank current foreign exchange settlements amounted to USD10,642 million. The transaction volume of interbank forward and swap foreign exchange settlement and sale amounted to USD3,414 million. The Bank implemented the first cross-border carbon emission quota pledge financing business in Chongqing to support the goal of “peak carbon dioxide emissions, carbon neutrality”. The Bank took the lead in directly connecting the CIPS standard transceiver with the API mode among local corporate banks, establishing a dual-channel settlement system of SWIFT and CIPS and improving the service grade of cross-border settlement. The Bank’s international rating continued to be maintained at Moody’s Baa2 (stable). In 2023, the Bank’s comprehensive evaluation of foreign exchange management was again rated as Class A by the Chongqing Branch of the State Administration of Foreign Exchange, and the Bank was the only local legal person bank in Chongqing that maintained the highest level for eight consecutive years.

Investment banking business. The Bank led underwriting of 20 debt financing instruments of non-financial corporations, with an aggregate underwriting share of RMB7.95 billion, including leading underwriting of 2 sci-tech innovation notes with an aggregate underwriting share of RMB1.2 billion. The total underwriting amount of all kinds of bonds amounted to RMB115.193 billion, representing an increase of 34% as compared with the same period of last year. The Bank successfully completed the issuance of “Sannong” special financial bonds of RMB2 billion and general financial bonds of RMB5 billion. At the same time, the prevention and control of internal risks continued to strengthen, and the quality of subsequent management remained stable.

(III) Financial Market Business



1. *Financial Inter-bank Business*

During the Reporting Period, the Bank steadily improved market influence and brand awareness. The Bank continued to obtain the first-class dealer qualification in open market business in 2023 and was the only corporate institution in Chongqing that was granted this qualification. In the evaluation on the high-quality development of members of the inter-bank local currency market, the Bank won the awards of the Institution with Market Impact of the Year and the Institution with Mark Innovation Business, ranking first among financial institutions in the central and western regions in terms of awards, and the Bank was the only corporate financial institution in Chongqing that obtained awards.

Bond investment. As of the end of 2023, the investment balance of the Group’s bonds amounted to RMB479,849 million, of which government bonds, public institutions and quasi-government bonds amounted to RMB343,371 million in total, representing an increase of RMB15,976 million as compared with the end of the previous year. The scale of other bonds showed an overall downward trend, among which, AAA¹ rated bonds were RMB96,452 million, representing a decrease of RMB2,014 million over the end of the previous year. Among other bonds, AA+ rated bonds were RMB26,523 million, representing an increase of RMB5,588 million over the end of the previous year. Among other bonds, AA rated bonds were RMB13,503 million, representing a decrease of RMB5,780 million from the end of the previous year.

¹ Bond rating: Debt rating is prioritized. If there is no debt rating, the subject rating is used.

Holding of financial bonds. As of the end of 2023, the carrying value of the Group's financial bonds amounted to RMB222,775 million which consisted of debt securities issued by policy banks of RMB136,567 million, commercial banking debts of RMB51,216 million, asset securitization products of RMB26,503 million and bonds issued by other financial institutions of RMB8,489 million. The breakdown of the top ten financial bonds held is as follows:

Unit: RMB million

Name of debt securities	Nominal value	Annualised interest rate (%)	Maturity date
Debt securities issued by policy banks in 2022	10,444.9	2.97	2032/10/14
Debt securities issued by policy banks in 2021	10,240.0	3.66	2031/3/1
Debt securities issued by policy banks in 2019	10,000.0	3.48	2029/1/8
Debt securities issued by policy banks in 2023	7,830.0	2.82	2033/5/22
Debt securities issued by policy banks in 2022	7,516.5	2.90	2032/8/19
Debt securities issued by policy banks in 2021	6,220.0	2.73	2024/11/11
Debt securities issued by policy banks in 2023	4,420.0	2.52	2028/5/25
Debt securities issued by policy banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy banks in 2018	4,000.0	4.00	2025/11/12
Debt securities issued by policy banks in 2021	<u>3,990.0</u>	<u>3.41</u>	<u>2031/6/7</u>

2. *Asset Management Business*

CQRC Wealth Management, based on the position of the Group, dedicated to serving the national strategy and actively responded to market changes, and product performance showed stable and improving trend. As of the end of 2023, the balance of wealth management products of the company was RMB120.511 billion, generating profit of nearly RMB5 billion for customers during the year. In 2023, the CQRC Wealth Management launched the first batch of direct-sales wealth management systems online, continued to expand the influence of agent sales and reached cooperation with 46 institutions. Focusing on national strategic initiatives, the CQRC Wealth Management has created multiple brands characterized by rural revitalization, the Chengdu-Chongqing Economic Circle, the New International Land-Sea Corridor, and the Jiangyu legacy, among others. Coupling with credit risk and market risk, the products are clearly labeled for stable operation with micro disturbances, stable operation with low disturbance, or stable operation with progress, forming a solid, reasonably layered “3+5+N” product system. The product architecture is gradually becoming comprehensive with “categorized customers, layered products, and graded services”, accurately matching customer demand for investment. The CQRC Wealth Management continued to improve the investment and research-driven mechanism, delved deep into the field of fixed income, explored innovative assets, and constructed a multi-dimensional investment and research system covering macro environment, industry, strategy, and assets.

3. *Asset Custodial Business*

In 2023, the Bank’s asset custodial business closely followed the direction of digital transformation and strengthened technical support on systems, realizing steady development of the custodial business.

(IV) Financial Technology



Optimize science and technology organizational structure. The Bank accelerated the digital transformation, fully integrated finance technology resource and capacity, established the financial technology head quarter and Chongqing Yuyin Financial Technology Co., Ltd., strengthened the function of the Financial Technology Management Committee, and built a financial technology organizational form of “one meeting, one head quarter and one company”. The financial technology head quarter consists of digital finance department, software development department, data asset department, science and technology management department and digital channel department. Chongqing Yuyin Financial Technology Co., Ltd. will focus on the “three services” development positioning – “serving the banking group, serving local government and enterprises, and serving the financial institutions”, dedicated to creating characteristic financial services through the construction of banking ecological scenes, the R&D of digital services and products, and the output of financial technology capabilities.

Formulate digital transformation planning. The Bank actively implemented the “1361” major strategic layout of digital Chongqing, accelerated the process of digital transformation, and completed the preparation of “Digital Transformation Planning of Chongqing Rural Commercial Bank (2024-2025)”. Focusing on the four major value areas – “digital development, intelligent risk control, smart outlets, and profitable operations”, the Bank has drafted a list of mid-term key digital transformation projects to provide a scientific and specific implementation path for the Bank’s digital transformation.

Management Discussion and Analysis

Explore the potential of data value. The Bank continued to optimize foundation platforms such as intelligent data decision-making platform and operation analysis system to improve the independence, stability and serviceability of various data products. The Bank has promoted the intelligent upgrade of bank marketing operations, actively introduced technologies such as machine learning, established models for customer multi-scenario precision marketing, off-peak and peak season voucher prediction, intelligent counter cash inventory forecast, and fraudulent customer identification, optimized the functions of the intelligent data decision-making platform, reinforced operational risk monitoring, enhanced the deployment capabilities for data application security, and completed the migration of credit card business from an external commercial decision engine to the in-house intelligent data decision-making platform, ensuring autonomous and controllable key capabilities in technical architecture and development design. In 2023, the intelligent data decision-making platform provided a total of 422 million decision-making services, with an average of 1.156 million per day and an increase of 1.56 times year-on-year, achieving a success rate of 99.9%. There were a total of 269 customer reach programs driven by operating analysis system, and customers reached through multiple channels exceeded 24 million, representing a more than tenfold increase from the previous year.

Create a featured “patent pool” and “standard library”. The Bank focused on the fields of AI, risk control decision-making and experience improvement, and took patent and software copyrights as starting points to carry out intellectual property protection. As of the end of 2023, all kinds of patents (including the acceptance and publicity stage) of the Bank amounted to 144 and the Bank owned 8 software copyrights accumulatively. Focusing on the application of financial technology, the Bank developed internal and external standards, and participated in the formulation of a total of 7 financial industry standards, 6 of which have been published, participated in the formulation of 20 group standards, 14 of which have been published, and completed the formulation of 11 corporate standards. The Bank proactively participated in the activity of “leaders” of enterprise standards, and three enterprise standards were listed in the list of “leaders” of enterprise standards in the financial field for consecutive years.

Digital Rural Commercial Bank



Improved customer value creativity and adhered to the “customer-oriented” service principle



Telephone banking

Simplified the service process of telephone banking, improved service efficiency, shortened waiting time of customers, and recorded a customer satisfaction rate of 99.26%.



Mobile banking

Upgraded the layout of App 7.0 intelligent platform for mobile banking, launched the “Investment Selection” function, and launched the “Loan Housekeeper” to realize the intelligent customer service loan recommendation.



Online banking

The new-generation corporate online banking added and optimized 40 functions such as “Yukuai Assistance Procurement Loan”, APP cloud signing and wealth management signing management to continuously enrich service items in the channel and improve the online service level of corporate business.

Telephone banking:

The Bank adheres to the “customer-oriented” service principle and continues to improve customer value creativity. During the Reporting Period, the Bank received 7,133,400 calls from customers, and the customer satisfaction rate was 99.26%. There were 5,303,100 outbound calls, representing a year-on-year increase of 22.22%, including 5,030,600 outbound calls from robots, accounting for 94.86%.

Mobile banking:

The Bank upgraded the layout of App7.0 intelligent platform for mobile banking, and continuously promoted the updating and iterations of online channel products for 23 times. The Bank launched the “Investment Selection” function to accurately recommend investment products according to customers’ preferences to help customers make investment decisions. The Bank launched the “Loan Housekeeper” to realize intelligent customer service loan recommendation. The Bank promoted the “non-contact” service innovation of mobile banking App, completed the online payment of wealth personal insurance and Ancheng auto insurance products, and improved the online financial interactive service. The Bank optimized the functions of the interactive platform for live broadcast of “Yukuai Broadcast” video, and expanded the multi-scenario applications such as promotion of online products, brand promotion, customer drainage, education and training. As of the end of 2023, the number of mobile banking users of the Group amounted to 14,382,400, representing a net increase of 857,600 or 6.34% for the year. The transaction amount in the year amounted to RMB1,375.058 billion, and there were 89,179,400 financial transactions, representing a year-on-year increase of 6.82%.

Management Discussion and Analysis

Online banking:

In order to continuously improve customer experience of corporate online banking, the new-generation corporate online banking completed 22 upgrading and iteration, added and optimized 40 functions such as “Yukuai Assistance Procurement Loan”, APP cloud signing, and wealth management signing management to continuously enrich service items in the channel and improve the online service level of corporate business. The Bank completed the construction and operation of the bank-enterprise direct connection migration project, and carried out the transfer of stock standard customers. As of the end of 2023, the number of customers of corporate online banking amounted to 159,700, representing a net increase of 11,800 for the year, and an increase of 7.99% as compared with the end of the previous year. The transaction amount for the year amounted to RMB1,261.602 billion, and there were 12,251,600 financial transactions, representing a year-on-year increase of 13.15%.

Popularization of mobile banking users and improvement of the penetration rate of financial business



Strengthened the channel construction

Improved the popularization of mobile banking in county areas through publicity and promotion activities and made financial service more convenient.



Improved the recognition of financial business

Strengthened the education on popularization of financial knowledge, and improved the recognition and credibility on mobile banking of residents in county areas.



Optimized user experience

According to the characteristic of users in county areas, optimized the interface and functions of mobile banking and improved the penetration rate of financial business and satisfaction of users.

(V) Financial Business in County Area

County area is the principle base where the Group carries out financial services. The financial business in county area has been a long-term strategic focus of the Group. The Group always adheres to the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving county-level economy”, keeps a foothold in Chongqing and deeply cultivates the rural area, establishes an “integrated” digital rural service system, makes innovation in financial products, increases its service focus and provides deeper and more diversified financial services for customers in the county area, effectively promoting the economic development of the county area and fully supporting the rural revitalization. As of the end of 2023, the balance of agricultural loans amounted to RMB232,800 million, representing an increase of RMB17,175 million as compared with the beginning of the year. Personal deposits in county areas were RMB569,088 million, representing a net increase of RMB54,303 million as compared with the end of last year, accounting for 76.16% of the Group’s personal deposits balance.

Strategy of special financial service support to rural revitalization



Strengthened the channel construction

Continued to deepen the basic financial services in rural areas and strengthened the support for rural revitalization; and intensified the construction of electronic channels in county area. With the gradual optimization of electronic equipment and the increasing number of issued bank cards, the penetration rate of the Bank's financial business in county areas has been further improved.



Financial service innovation

Innovated the online business model and used financial technology to establish live streaming scenario; sorted out regional industry development characteristics, gradually promoted the implementation of "one loan for one county", and continued to support projects such as infrastructure and public service facilities in poverty-stricken areas to consolidate and expand the fruits of poverty alleviation.



Special financial products

CQRC Wealth Management took the lead in launching the "rural revitalization" series wealth management products; CQRC Financial Leasing focused on supporting culture and tourism, ecological engineering, rural revitalization, modern agriculture and other projects, innovated products and business models and precisely connected with micro, small and medium-sized entity enterprises and Sannong customers.

Channel construction: The Bank continued to deepen the basic financial services in rural areas and strengthened the support for rural revitalization. As of the end of 2023, the Group had established 5 branches, 26 first-class sub-branches, 125 second-class sub-branches, 1,290 branch offices, 1 community branch and 12 village and township banks in county areas. At the same time, the Group has established 2,562 CRSs, 337 ATMs, 59 multimedia inquiry machines, 1,854 smart integrated counters, and 420 rural convenience financial self-service points in county areas. The Bank actively participated in the construction of "Digital Human Resources and Social Security" and was the first bank in the city to launch the "Social Insurance Service Matters Entering the Bank" initiative. This allowed the first batch of 20 high-frequency human resources and social security services to be accessed through our business outlets on behalf of customers, and the Bank has provided services to over 200,000 customers to date.

The Bank intensified the construction of county electronic channels and proactively promoted Jiangyu Card, Funong Card, Rural Revitalization Card, etc. As of the end of 2023, the Bank had issued a total of 23,199,600 debit cards in county areas, accounting for 78.72% of the debit cards issued by the Group, of which 578,800 were rural revitalization cards; 1,603,600 credit cards were issued, accounting for 78.31% of the credit cards issued by the Group. 11,427,700 users opened mobile banking with the Bank, accounting for 79.46% of the users opening mobile banking with the Group. With the gradual optimization of electronic equipment and the increasing number of issued bank cards, the penetration rate of the Bank's financial business in county areas has been further improved.

Business Support:

The Bank innovated the online business model and used financial technology to establish live streaming scenario. The Bank conducted the “there are good things in rural areas, and Yukuai helps revitalization” live-streaming sales events through “guiding consumption + providing subsidies + distributing coupons + offering prize draws”. These events aimed to uncover and promote local specialties for rural revitalization, expand sales channels, and help merchants and farmers increase income and create wealth. In 2023, the Bank held 13 live-streaming sales events of this theme, attracting 1.41 million online viewers, selling 74,000 pieces of characteristic agricultural and sideline products, and achieving sales of RMB5.13 million, which represents substantial outcomes.

The Bank gave full play to the role of financial support to rural revitalization in key areas such as helping the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank increased the release of rural infrastructure loans and actively met the capital needs for construction of transportation, water supply, power supply and other fields in rural areas. The Bank sorted out regional industry development characteristics, gradually promoted the implementation of “one loan for one county”, and continued to support projects such as infrastructure and public service facilities in poverty-stricken areas to consolidate and expand the fruits of poverty alleviation. The Bank expanded services and served the grassroots, and the accounts opened by the rural collective economic organizations with the Bank achieved 7,260, accounting for 80.7% of those in Chongqing.

CQRC Wealth Management took the lead in launching the “rural revitalization” series wealth management products and created a new model of “wealth management + rural revitalization”, providing rural customers with the caring services of “investing in the wealth management products during the slack season, and providing support with gains from investment for the busy season”. The cumulative issuance amount of series products reached nearly RMB13 billion and the existence scale exceeded RMB10 billion.

CQRC Financial Leasing focused on supporting culture and tourism, ecological engineering, rural revitalization, modern agriculture and other projects, innovated products and business models and precisely connected with micro, small and medium-sized entity enterprises and Sannong customers. The balance of leased assets in Chongqing amounted to RMB16.152 billion with the proportion of 82.31% in county areas. In 2023, the amount of newly invested rental projects in Chongqing amounted to RMB6.671 billion, with the proportion of 77.65% in county areas.

(VI) Principal Controlled and Investee Companies

1. Information on Controlled Subsidiaries

Village and township banks. CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is conducive to fulfill the Rural Revitalization Strategy, perform social responsibility, broaden and deepen the service to new rural construction and explore the development of business growth. As of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB5,174 million, net assets amounting to RMB1,914 million, the respective balance of deposits and loans amounting to RMB2,276 million and RMB4,478 million, NPL ratio and provision coverage rate of 0.97% and 399.22%, respectively, and net profits amounting to RMB58 million. The business of the village and township banks grew steadily, the overall risks were under control and the overall operation was stable.

CQRC Financial Leasing Co., Ltd. It is a controlling subsidiary of the Bank. It was established in December 2014 with a registered capital of RMB2.5 billion. It is mainly engaged in financial leasing business, assign and acquisition of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property business, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. The Bank held 80% equity interests in CQRC Financial Leasing. As of the end of the Reporting Period, the total assets and net assets of CQRC Financial Leasing were RMB65.274 billion and RMB7.038 billion, respectively, recording a net profit of RMB1.052 billion during the Reporting Period.

CQRC Wealth Management Co., Ltd. It is a wholly-owned subsidiary of the Bank. It was established in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a registered capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and the businesses approved by the banking supervisory authorities of the State Council. As of the end of the Reporting Period, the total assets and net assets of CQRC Wealth Management were RMB2.985 billion and RMB2.910 billion, respectively, recording a net profit of RMB170 million during the Reporting Period.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Co., Ltd. is the second licensed consumer finance company in Chongqing. It was established in May 2020 and is mainly engaged in granting personal consumption loans business. Its registered capital was RMB1.5 billion. The Bank held its 30% equity interests. As of the end of the Reporting Period, the total assets and net assets of Chongqing Xiaomi Consumer Finance Co., Ltd. were RMB16.416 billion and RMB1.591 billion, respectively, recording a net profit of RMB76 million. (Unaudited financial information)

VII. Key Concerns of Investors

(I) About Asset Quality

In 2023, the domestic economy resumed an upward trend and the development quality steadily improved. The Group continued to increase support for local economic development, strengthened supervision on credit risks at the same time, strictly controlled the material risks, prudently carried out classification management of risks and prospectively made impairment provisions. The asset quality has showed a positive momentum of “Three Declines and Two Maintenance” since 2021.

Firstly, the percentage of the latter four types of loans declined. As at the end of 2023, the percentage of the latter four types of loans of the Group was 2.33%, representing a decrease of 0.18 percentage point over the end of the previous year and a decrease of 0.84 percentage point over the end of 2021, among which, the NPL ratio was 1.19%, representing a decrease of 0.03 percentage point over the end of the previous year; the percentage of loans of concern was 1.14%, representing a decrease of 0.15 percentage point over the end of the previous year.

Secondly, the non-performing loans formation ratio declined. With the continuous relief of the downward pressure of asset quality, the non-performing loans formation ratio of the Group declined year-on-year.

Management Discussion and Analysis

Thirdly, the credit costs declined. Due to the relief of the downward pressure of asset quality and strengthening the recovery of non-performing assets in the early stage, the provision of credit impairment of the Group showed a downward trend, resulting in a year-on-year decrease of credit costs.

Fourthly, the risk replenishment capability maintained sufficient. As at the end of 2023, the provision coverage ratio of the Group was 366.70%, representing an increase of 8.96 percentage points as compared to the end of the previous year.

Fifthly, the classification of asset risks maintained prudent. The Group persisted in strictly grasping material risks and dynamically implemented classified management. As at the end of 2023, the proportion of loans overdue for over 90 days and loans overdue for over 60 days to the non-performing loans continued to maintain within 100%.

In particular, the asset quality performance of the Group in 2023 set out as below:

Firstly, the non-performing corporate loans continued to achieve a “double decline”. As at the end of 2023, the corporate NPLs balance and the NPL ratio declined by RMB1.004 billion and 0.43 percentage point over the beginning of the year, respectively. The asset quality maintained a positive trend.

Secondly, the overall risk of retail loans was controllable. In the context of the slowdown of the growth of macro-economy, it was more difficult to control the asset quality of banking retail loans. Although the non-performing rate of retail loans of the Group rose in 2023, the downward pressure continued to relieve. The growth of non-performing loans declined year-on-year and the non-performing loans formation ratio showed a downward trend. At the same time, there were sufficient secondary repayment sources for retail loans of the Group, and secured loans accounted for 80.46% of the non-performing retail loans, of which, mortgaged and pledged loans accounted for 75.22% of the non-performing retail loan. The collateral value covered 1.77 times of the principal of loans, with good risk mitigation capabilities.

Thirdly, the Group continued to promote the implementation of the new classification regulations. In 2023, the People’s Bank of China and the former China Banking and Insurance Regulatory Commission jointly issued the Measures for the Risk Classification of Financial Assets of Commercial Banks 《商業銀行金融資產風險分類辦法》. The Group actively promoted the internalization of external regulations and the optimization of information system in strict compliance with the requirements of the new rule, continuously conducted survey of financial assets and accelerated the implementation of the new rule step by step according to the survey results. In general, the Group has cleared the potentially risky loans in an orderly manner in the early stage, and the impact of the new classification regulations on the quality of Group’s assets is controllable after prudent evaluation.

Looking forward to 2024, it is expected the domestic economy will continue to recover and grow, and the resilience and stability of economic development will be further enhanced. The Group will closely follow the policy orientation, further promote the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and strive to construct the development system of “all-in-one four-wheel drive”, and continue to optimize credit structure. The Group will strengthen the monitoring and evaluation of financial asset risks, promote the implementation of the new regulations on assets classification, dynamically implement classified management, and further improve the quality of assets. In addition, the Group will promote the digital bank transformation, accelerate the application of intelligent risk control, and improve the management and control level of credit risks. The Group will continue to recover and dispose non-performing assets properly and steadily improve its operating efficiency. In general, it is expected that the quality of assets of the group will continue to be stable in 2024, and relevant indicators will continue to be controllable and maintain a good level.

(II) About Net Interest Margin

During the Reporting Period, the Group’s net interest margin was 1.73%, representing a year-on-year decrease of 24 basis points. **On the asset side**, the asset yield recorded a year-on-year decrease of 30 basis points. Due to the reduction in LPR, repricing of assets and continuous decrease in the return on assets at the beginning of the year, the return on assets maintained a downward trend. Facing with the pressure of declining returns, the Group has intensified structural adjustments to proactively responding to market pressures. **Firstly**, the Group continued to optimize the asset structure – the loan volume grew by RMB44 billion compared to the end of last year, and the loan-to-asset ratio increased by 0.16 percentage point as compared to the end of last year, marking five consecutive years of improvement. **Secondly**, the Group optimized the loan structure by increasing general and retail loans. The increment of general loans increased by RMB11.6 billion as compared with last year, and retail loans maintained stable growth, ranking first in the increment market share of Chongqing. **On the liability side**, the Group’s debt interest payment rate decreased by 10 basis points year-over-year. Thanks to good management of the debt structure and dynamic control of pricing, the Group has effectively optimized debt costs to offset the downward pressure on the asset side. **Firstly**, the Group focused on growing low-cost core deposits. The size of deposits exceed RMB890 billion at the year end, representing an increase of over RMB70 billion as compared with the end of last year, with the percentage of deposits increasing by 1.32 percentage points from the beginning of the year, with the deposit interest payment rate falling by 9 basis points year-over-year. **Secondly**, the Group also adjusted our active liabilities according to market interest rate trends, resulting in a year-over-year decrease in the interest payment rate of interbank and other financial institutions of 10 basis points.

Looking forward the next year, due to significant uncertainties in the external environment and the ongoing impact of profit concessions to the real economy and asset re-pricing, the net interest margin is expected to continue to narrow down. However, the Group will persist in optimizing the asset-liability structure to slow down the pace of interest margin narrowing. **On the asset side**, the Group will focus on the credit placement, improve the capital efficiency and slow down the downward yield. **Firstly**, the Group will properly allocate the large-type assets, promote the stable growth of credit scale, pay attention to the iteration and upgrading of loan products, continue to improve customer experience and develop key products that are sticky and suitable for the market and customers. **Secondly**, the Group will effectively take use of channel, platform and science and technology empowerment to enhance the differentiated pricing and strengthen the balance between the volume and price of loans. **Thirdly**, we will strengthen the forward-looking analysis of market interest rates, flexibly allocate the investment scale and direction and improve the efficiency of asset investment. **On the liability side**, we will continue to strengthen the advantage in volume and price of liabilities, to mitigate the downward impact of the asset side. **Firstly**, to maintain the stable growth of deposits, continue to increase the proportion of deposits and deposits with low cost, and secure the market share of deposits. **Secondly**, to continue to enhance the management of deposit structure, focusing on the introduction of low-cost fund such as social security and consumption through quota control and term guidance, promote the continuous reduction of interest payment cost of deposits, and maintain liability cost control. **Thirdly**, we will enhance the active liability management, renew the structure and maturity of liabilities in a timely manner based on the market trend, strive for the funds of monetary policy tools such as re-loans and rediscounting, and maintain low-cost capital operation.

(III) About the Growth of Operating Income

During the Reporting Period, the Group recorded an operating income of RMB27.957 billion. Affected by the continuous narrowing of net interest margin, the operating income declined year-on-year, but the decline was 2.79 percentage points narrower than the previous year.

Looking forward the next year, the net interest margin will face the downward pressure, and the Group will continue to seize market opportunities, consolidate the foundation of business development and stabilize operating income. **The first is to expand the scale** by seizing major strategic opportunities, effectively participating in building local service system to reach for data, customer and capital resources, seizing opportunities in rural revitalization, using advantages in outlets coverage and digital technology empowerment, serving rural revitalization, improving the inclusiveness and quality of inclusive small and micro enterprise loans, and further increasing asset allocation. **The second is to lift up intermediate income** by strengthening the expansion of channels for intermediary business, refining the wealth management business system and working standards, creating a wealth management framework based on customer characteristics, enriching the types of agency and guarantee services, expanding sources of differentiated and diversified intermediate income, and also fully utilizing our own advantages in layout and marketing channels to increase our intermediate business income. **The third is to increase transactions** by continuously optimizing the allocation of financial assets, advancing the transaction transformation, improving our professional investment and research capabilities, strengthening research and judgment on interest rate, seizing trading opportunities amid rate fluctuations, and enhancing returns.

(IV) About Profit Growth

During the Reporting Period, under the pressure of a year-on-year decrease of operating income, the Group enhanced risk management, strengthened forward-looking risk identification and monitoring. At the same time, the Group improved the quality and efficiency of risk assets, vigorously promoted the disposal of large-value risk assets, and achieved the large-value off-balance sheet collection. Net profit recorded a year-on-year increase of RMB647 million or 6.18%, and the overall operating results remained stable growth.

Looking forward the next year, the Group will continue to improve the quality and efficiency of operating expenses and fully explore the potential of risk disposal and improvement of management efficiency while maintaining the interest margin and stabilizing the operating income, striving to maintain stable operating results. **Firstly, the Group optimized its way of resource allocation** by continuously implementing fine expense management to enhance the precision of resource allocation and tilt resources towards front-end marketing. The Group emphasized fine control over financial expenditures and strengthened the evaluation of input and output for significant expense items beforehand and a comprehensive analysis of their effects afterward. This improved the utilization efficiency of management expenses, propelling the Group to meet its cost reduction and efficiency increase targets. **Secondly, the Group reinforced risk prevention and control** by continuing to effectively carry out credit risk identification, early warning, and disposal. The Group established credit risk analysis frameworks and evaluation models to prevent and control increment risks, intensified post-loan and post-investment inspections, and implemented linked management for large credit operations to prevent and control the existing risks. Meanwhile, the Group will accelerate the collection and disposal of non-performing assets, make efforts on the liquidation of idle assets, further seek benefit from non-performing assets, and improve the overall performance of assets.

(V) About Inclusive Small and Micro Enterprise Loans

As of the end of 2023, the number of customers of inclusive small and micro enterprise loans of the Bank was 197,300, representing an increase of 21,300 as compared with the beginning of the year; the balance of loans amounted to RMB128.516 billion, representing an increase of RMB15.477 billion as compared with the beginning of the year, and the growth rate was 8.21 percentage points higher than the growth rate of all loans of the Bank, ranking the first in the market share of Chongqing in terms of the increment and stock loans.

During the Reporting Period, the Bank adhered to the market positioning of supporting agriculture, rural areas and farmers and supporting small and micro enterprises, focusing on the financing demand of small and micro enterprises and individual industrial and commercial households, continuing to optimize the supply of credit and loan, strengthening the placements, and continuously promoted the “incremental expansion” of inclusive small and micro enterprise loans. **Firstly**, the Bank reinforced channel construction, shifted the service focus downwards, promoted “application for loans via QR code”, and established a comprehensive service network which reaches multiple levels. **Secondly**, the Bank intensified digitalization reform, launched products such as loans for “specialized, refined, differential, and innovative” enterprises and Yukuai merchant loans for key customers and merchants to meet the demand. **Thirdly**, the Bank enhanced digital empowerment, dived deeper into the application of big data, cloud computing, and artificial intelligence technologies, created intelligent loan application process, and elevated the level of online services.

Looking forward to 2024, the Group will continue to adhere to the main responsibility and business of serving the real economy, make great efforts to integrate into the construction of new Chongqing, and strive to promote inclusive small and micro enterprise finance. **Firstly**, the Group will implement the philosophy of “client-oriented”, strengthen the innovation of differentiation products and service, and make every effort to meet the financing need of small and micro market entities. **Secondly**, the Group will promote the digital transformation in depth, strengthen the application of big data and promote the “ecological” development of inclusive small and micro enterprise business through platform establishment on the basis of further improvement of business intelligence. **Thirdly**, the Bank extended the reach of inclusive financial services, closely followed the action plan for “doubling” high-tech enterprises and scientific and technological enterprises, focused on “specialized, refined, differential, and innovative” enterprises, incorporated the green and low-carbon development goals, and promoted the synergistic development of inclusive finance with technology finance, green finance, pension finance, and digital finance.

(VI) About Refinancing Plan

According to the Medium-term Capital Plan for 2024-2026 of Chongqing Rural Commercial Bank Co., Ltd., the Bank will take internal funds as the main sources of capital replenishment and take external funds as supplemental sources in the next three years.

In terms of core tier 1 capital, we will endeavor to increase value creation, improve the level of capital income, strengthen the capital accumulation capability, improve the long-term sustainability of capital replenishment sources and promote the high-quality development by organic growth. The core tier 1 capital will remain sufficient and there are no replenishment plan with external funds.

In terms of other tier 1 capital, we intend to exercise the right in 2026 to redeem RMB4 billion of capital bonds with no fixed term issued in 2021, and there are no replenishment plan with external funds.

In terms of tier 2 capital, we intend to exercise the right in 2024 to redeem RMB5 billion of tier-two capital bonds issued in 2019, and seize a better opportunity for the reissuance that year, and ensure that the tier 2 capital remain sufficient.

VIII. Risk Management

In 2023, the Bank conducted deep analysis, comprehensive monitoring and active response to changes in the risk landscape in the new normal, coordinated development with safety, continuously improved the comprehensive risk management system, ensured accountability in the “three lines of defense”, increased the implementation of digital transformation, and steadily enhanced our abilities in targeted control, forward-looking identification, quantitative analysis, monitoring report and efficient disposal of risks in key areas, and upheld the bottom line of preventing and mitigating financial risks.

The Bank improved the policy mechanism, implemented the new regulatory regulations, and enhanced the comprehensiveness and initiative of risk management. The Bank formulated annual risk preference and risk management opinions of the Group, updated more than 10 risk management systems, and focused on its implementation of new regulations such as the Measures for the Risk Classification of Financial Assets of Commercial Banks, Administrative Measures for the Implementation of the Expected Credit Loss Approach of Commercial Banks and Administrative Measures for Off-Balance-Sheet Business Risks of Commercial Banks, and made good preparation for the implementation of the new capital regulations. The Bank further increase the authorization of branches in the fields of inclusive finance and rural revitalization, enhanced assessment and monitoring, and help to complete the “five major areas” in finance. The Bank established a risk management and evaluation mechanism for branches and sub-branches, continuously strengthened the guidance on risk management for affiliates, and promoted the transmission and implementation of the Group’s risk management requirements.

Management Discussion and Analysis

The Bank enhanced monitoring and analysis, solidified response measures, and improved the foresight and effectiveness of risk management; continued to reinforce the performance construction of the “three lines of defense”, forming a joint force for risk prevention and control; strengthened asset quality monitoring, dynamically reviewed loans affected by new risk classification regulations, and prepared plans for systematical adjustment; established a closed-loop management system for online credit products that spans from product innovation and model strategy review to post-operation evaluation. The effective linkage between risk classification, impairment provisioning, and non-performing asset disposition ensured orderly risk clearance and steadily improved asset quality while maintaining a high level of risk compensation. Multidimensional monitoring was implemented at various frequencies for risk appetite, risk limits, and regulatory indicators of key institutions within the rural banking system, which showed overall positive performance. The Bank also intensified the use of risk measurement tools such as pressure testing and impairment provisioning to provide more refined support for management decisions.

The Bank coordinated planning and layout, steadily advanced implementation, and promote digital and intelligent risk management; implemented the expected credit loss method and comprehensively optimized the impairment system according to new regulatory standards, thereby enhancing the compliance and fineness of impairment management; formulated a model risk management approach and established a bank-wide model risk management system to achieve lifecycle management of model risks; continued to upgrade the internal evaluation system and model, and optimized and launched a peer rating model; initiated development and construction of the market risk management system; built a centralized display and analysis portal that integrates risk indicators, risk views, risk cockpit, and risk early warning based on a risk data mart; created an online “drag-and-drop” style risk data analysis module through an intelligent comprehensive report service platform to support risk monitoring.

(I) Risk Management Structure

The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to perform responsibilities related to comprehensive risk management with the Board’s authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, carrying out Board resolutions, and setting up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing comprehensive risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarter's risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group's comprehensive risks and various major risks. Each department of the headquarter assumed direct responsibility for the risk management of the line and the department, and managed various risks of the Bank including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarter is responsible for performing internal audits on relevant performance of duties. Each branch is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank's overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the business nature, scale and complexity of its business.

(II) Credit Risk Management

Credit risk refers to the risk of losses of banking business arising from the failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

In 2023, the Group actively implemented the government and regulatory policies and guidelines, continuously strengthened the support for major national and local projects, and constantly strengthened the management and control of credit risks. Firstly, the Group continuously improved the credit risk management system, issued the annual credit investment guidelines, promoted the optimization of credit asset structure, promoted the digitalization of credit management in an orderly manner, optimized the intelligent post-loan function, and analyzed the credit risks in advance. Secondly, the Group properly conducted risk assessment, comprehensively sorted out and conducted risk evaluation of financial assets in combination with the management requirements of the new regulations on risk classification, conducted risk identification and monitoring for key corporate customers, urged business entities to conduct dynamic and classification management, employed early warning signals to dynamically monitor customers' operation debts, and enhanced the forward-looking capabilities of risk monitoring, and ensured sufficient impairment provisioning. Thirdly, the Group strengthened the technical support of risk measurement, conducted special stress test on credit risk and key areas, and quantitatively evaluated the risk tolerance level of the Group under various stress scenarios. Fourthly, the Group strictly controlled the concentration risk, carried out the large-amount risk exposure management, continuously optimized the functions of large-amount risk exposure system, and promoted the application of various functions. As of the end of 2023, the relevant indicators of large-amount risk exposure of the Group were better than the regulatory standards.

(III) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through identification, measurement, evaluation, monitoring and other measures to the extent that the Group can bear, thus maximizing risk-adjusted returns.

The Group proactively managed the interest rate risk and exchange rate risk in accordance with the regulatory requirements and based on the actual operation and management, and formulated a management system for market risks through regulations on authorization, credit extension and risk appetite and risk limit, monitoring and reporting.

In 2023, the Group continuously improved proactive market risk management capabilities and steadily advanced various management work. Firstly, the Group formulated an annual market risk limit plan according to the business plan, implemented the regulatory opinions, improved indicator settings, further clarify the division of responsibilities and organizational guarantee, proactively researched and responded to the market fluctuations, and enhanced monitoring on the execution and properly made risk warnings. Secondly, the Group reasonably adjusted stress test scenarios according to the macro policies and economic situation and conducted stress test on a regular basis, and assessed the impact of different stress scenarios on capital. Thirdly, the Group conducted analysis and special stress tests with respect to overseas banks' risk events, evaluated the capital tolerance capacity under extreme stress scenarios and provided forward-looking guidance for market risk management. Fourthly, the Group strengthened the analysis of interest rates and exchange rates, and regularly conducted analysis on national and international economic fundamentals and financial data to improve the foresight of market risk analysis. Fifthly, the Group initiated the project of establishment of market risk management system and promoted the informatization and digitization of the market risk management. Sixthly, the Group carried out market risk emergency exercises to further improve the Bank's overall capacity to respond emergency situation in relation to the extreme market risks.

1. *Interest Rate Risk Analysis*

Interest rate risk is the major market risk faced by the Bank, covering trading books and banking books. The trading book business mainly aims at trading, while the banking book business mainly aims at holding. In terms of banking books, the Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on economic value and net interest income in varied interest rate scenarios. The stress test results show that the interest rate risk of banking books is controllable. In terms of trading books, the Group monitors the valuation and quota implementation of the bond business on a daily basis. No limit warning was triggered in 2023.

In 2023, the national monetary policy continuously remained flexible and moderate, the People's Bank of China successively cut the reserve requirement ratio and interest rates, and the liquidity of the banking system generally remained reasonably abundant. The interest rate of 10-year government bonds broke through 2.55% downward due to the weak repair of endogenous kinetic energy in the domestic economy. According to the existing macroeconomic policies and monetary policy direction, it is expected that there will be certain uncertainties regarding the market interest rate in 2024. The Group will pay close attention to the macroeconomic policies and the recovery of economic fundamentals, improve the forward-looking management of interest rate risks, and strengthen the differential refined pricing of internal and external interest rates, so as to ensure the continuous improvement of the Group's revenue and market value.

The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

(Expressed in RMB million)	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap as of 31 December 2023	<u>(138,132.8)</u>	<u>(72,605.0)</u>	<u>100,665.4</u>	<u>204,573.6</u>	<u>18,351.3</u>	<u>112,852.5</u>
Interest rate gap as of 31 December 2022	<u>(93,461.9)</u>	<u>(92,031.2)</u>	<u>30,914.2</u>	<u>233,888.4</u>	<u>26,119.0</u>	<u>105,428.5</u>

As at the end of 2023, the Group's accumulated gaps of interest rate for all maturities amounted to RMB112.85 billion, representing an increase of RMB7.42 billion over the end of the previous year.

2. Interest rate sensitivity analysis

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

(Expressed in RMB million)	31 December 2023		31 December 2022	
Change in interest rate basis points	Impact on net profit	Impact on other comprehensive income	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	149.9	(3,663.5)	492.6	(3,346.6)
Decrease in 100 basis points	<u>(151.2)</u>	<u>3,920.4</u>	<u>(597.9)</u>	<u>3,634.0</u>

Management Discussion and Analysis

3. Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars, Euro and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's self-operated and agency spot business, self-operated and agency swaps business and agency forward business.

In 2023, the exchange rate of USD against RMB showed a trend of upward first and then slightly downward mainly due to the differences in economic cycles and monetary policies between China and the United States and the slow recovery of domestic economy. The exchange rate of USD against RMB rose overall as compared to the beginning of the year. As of 31 December, the spot exchange rate of USD against RMB in the inter-bank foreign exchange market closed at 7.092, representing an increase of 2.02% as compared to the beginning of the year. With the appreciation of the USD, the Group appropriately increased its exposure to the USD as compared to the beginning of the year. As of the end of December, the total foreign exchange exposure was a positive exposure of RMB650 million, and the foreign exchange risk was generally controllable. Looking forward to 2024, as the Federal Reserve Board stops raising interest rates and may cut interest rates, the effect of domestic measures to stabilize the exchange rate will gradually emerge, and it is expected that the exchange rate of USD against RMB will decline.

The Group will continuously pay attention to global economic situation and policies, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group will strengthen its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably.

As of the end of 2023, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	RMB	US dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position as of 31 December 2023	<u>111,969.6</u>	<u>681.6</u>	<u>185.4</u>	<u>15.9</u>	<u>112,852.5</u>
Net position as of 31 December 2022	<u>104,539.6</u>	<u>684.7</u>	<u>182.6</u>	<u>21.6</u>	<u>105,428.5</u>

4. *Exchange rate sensitivity analysis*

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB spot and forward exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

(Expressed in RMB million)	31 December 2023	31 December 2022
Exchange rate changes	Impact on net profit	Impact on net profit
RMB 5% appreciation	(25.6)	(25.7)
RMB 5% depreciation	<u>25.6</u>	<u>25.7</u>

(IV) Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis, to maintain stable operation with overall security, to protect the interests of depositors, and to effectively balance fund profitability and overall security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk. The Board of Directors is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Risk Management Department, the Capital Operation Department, the International Operations Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation. The Group ensured payment through continuous monitoring and management of positions across the Bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Management Discussion and Analysis

In 2023, the Group adhered to the prudent and compliant business philosophy to set the liquidity risk preference for 2023, evaluated and revised the annual liquidity risk limit control plan according to the Detailed Rules for the Management of Liquidity Risk Limits of Chongqing Rural Commercial Banks, and continuously carried out forward-looking liquidity risk indicator measurement with the limit control as the guidance; in addition, the Group made arrangements in advance and dynamically adjusted the liquidity risk management strategy according to the forward-looking measurement results, continuously monitored various liquidity risk indicators, and regularly conducted internal notification to help the liquidity risk indicators continuously meet the standards. The Group strengthened daytime liquidity risk management, ensured the security of payment and settlement, and continuously optimized the liquidity risk management information system, so as to promote the implementation of refined management. The Group organized bank-wide liquidity risk emergency exercises, and constantly reviewed and improved the emergency response mechanism.

1. *Liquidity risk analysis*

In 2023, various factors of instability such as divergence of the momentum of global economic recovery, adjustments in policies of developed economies and geopolitical conflicts increased. The overall performance of the domestic economy achieved a positive recovery, however, the endogenous driving force was still not strong. The monetary policy adhered to the principle of maintaining stability and seeking progress while maintaining stability, creating a good monetary and financial environment for economic recovery and improvement. The monetary credit maintained reasonable growth and the overall liquidity of the inter-bank market has remained reasonably sufficient. The Group strictly implemented the liquidity risk limit management mechanism and maintained satisfactory liquidity. As of the end of 2023, the main indicators reflecting liquidity status of the Group met regulatory requirements. The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As of the end of December 2023, the liquidity gap analysis of the Group is as follows:

Management Discussion and Analysis

(Expressed in RMB million)	Undiscounted contractual cash flows categorised by contractual maturities							Total
	Overdue/ Indefinite	On demand	Within 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	
Net position of assets and liabilities as at 31 December 2023	<u>52,679.6</u>	<u>(238,674.4)</u>	<u>(103,291.0)</u>	<u>(115,683.0)</u>	<u>(72,255.8)</u>	<u>282,536.6</u>	<u>561,664.5</u>	<u>366,976.5</u>
Net position of assets and liabilities as at 31 December 2022	<u>49,738.8</u>	<u>(224,999.6)</u>	<u>(55,398.6)</u>	<u>(118,162.8)</u>	<u>(85,096.9)</u>	<u>181,401.5</u>	<u>652,309.1</u>	<u>399,791.5</u>

The Group measured and disclosed its liquidity ratio, net stable funding ratio and liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the former China Banking and Insurance Regulatory Commission. As at the end of 2023, the liquidity ratio of the Group is as follows:

Liquidity ratio (%)	31 December 2023	31 December 2022	31 December 2021
RMB	91.42	87.55	79.86
Foreign currency	87.62	<u>236.85</u>	<u>92.89</u>

Liquidity ratio is calculated by dividing current assets by current liabilities.

As of the end of 2023, the net stable funding ratio of the Group is as follows:

Expressed in RMB million	31 December 2023	30 September 2023
Available stable funding	979,692.15	975,164.90
Required stable funding	776,150.02	792,450.30
Net stable funding ratio (%)	126.22	<u>123.06</u>

Net stable funding ratio is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of stable funding from various assets and off-balance sheet risk exposures.

Management Discussion and Analysis

As of the end of 2023, the liquidity coverage ratio of the Group is as follows:

Expressed in RMB million	31 December 2023
Qualified and high-quality liquid assets	142,401.31
Net cash outflows in future 30 days	34,392.22
Liquidity coverage rate (%)	<u>414.05</u>

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio. The net cash outflow in future 30 days means the balance between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off-balance-sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off-balance-sheet contractual receivables and its expected inflow rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(V) Operational Risk Management

Operational risk refers to the risk of loss due to errors in internal procedures, personnel and scientific and technological information systems or external events. Adhering to the principle of prudence, comprehensiveness, compatibility and effectiveness and based on a comprehensive risk management system, the Group implements an operational risk management strategy that matches the Group's asset size and business complexity in compliance with the overall risk appetite.

During the Reporting Period, the Group continued to consolidate and improve its operational risk management system to strictly guard against major operational risk events and strive to achieve comprehensive identification and effective control of operational risks. Firstly, the Bank closely monitored and identified operational risks. The Bank updated and improved the monitoring system of key risk indicators, regularly collected index data and risk loss data, and consolidated the foundation of risk measurement. Secondly, the Bank improved risk management measures. The Bank continued to improve and optimize risk management measures by continuously improving systems, strengthening system process control and training transmission, strengthening internal control and compliance management and other ways. Thirdly, the Bank carried out a number of risk investigations. The Bank organized and conducted the special screening and the post-event daily supervision on anti-money laundering, employee behavior, illegal fund-raising risks, case risks, account risks and other aspects, promptly discovered and effectively handled potential risks to continuously strengthen risk prevention in key areas. Fourthly, the Bank has consolidated the management of business continuity. The Bank coordinated and formulated an exercise plan, carried out a centralized switching exercise of the new remote disaster recovery center system, verified the business takeover capability of the disaster recovery center to effectively ensure the stable operation of the Bank's business. Fifthly, the Bank strengthened the outsource risk management. The Bank organized and conducted the special assessment on information technology outsourcing risk and the screening on case risks of outsourcing business lines and evaluated the risk status of each link of the outsourcing business to continuously improve the quality and efficiency of outsourcing risk management.

(VI) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group's operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability.

During the Reporting Period, the Group established and improved the reputation risk management mechanism, and further strengthened the classified management of reputation risks, customer emergency and complaint handling, emergency handling of sudden public opinion, information release process management, and standardized management of publicity work, etc. At the same time, the Group continued to properly monitor and deal with the public opinion, actively and effectively prevented reputation risks and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall goal of reputation risk management.

(VII) Information Technology Risk

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Group continued to improve the information technology risk management system and enhance the efficiency of information technology risk management, without any major information technology risk events. Firstly, optimize the institutional system. The Group updated the implementation rules for information technology risk assessment and further standardized various aspects of information technology risk assessment to enhance the comprehensiveness, effectiveness and operability of the systems. Secondly, strengthen operation and maintenance management and control. The Group strengthened the 7×24 operation and maintenance on-duty management, strove to maintain network security at important points such as New Year's Day, Spring Festival, National Day and the "Two Sessions", and effectively maintained the stable operation of important businesses. Thirdly, implement assessment and monitoring. The Group established an expert group to implement the risk assessment links before the construction of important information system projects, organized and carried out overall assessment on information technology risk and self-assessment on business continuity management, regularly carried out information technology risk monitoring and analysis, fully identified the shortcomings in the information technology risk management and continuously improved risk control measures to enhance the information technology risk management level of the Group.

(VIII) Anti-Money Laundering Risks

The Group strictly implemented regulatory requirements, thoroughly applied the risk-oriented principle, continued to improve the money laundering risk prevention and control system in accordance with anti-money laundering laws and regulations and based on actual conditions, continuously improving the effectiveness of anti-money laundering work.

During the Reporting Period, the Group actively responded to the work arrangements of regulatory agencies and further strengthened active management. The Group amended the internal control system, refined the division of responsibilities, updated risk prevention measures to strengthen the construction of the internal control system. The Group improved system functions, optimized the monitoring rules and models, promoted artificial intelligence, external data and other applications to further deepen accurate monitoring. The Group strengthened supervision and management, carried out special inspections and audits, tracked the progress of problem rectification and improved the execution of rectifying problems identified in supervision and visits. The Group consolidated the basis for performance of duties, held joint meetings, further promoted the information sharing, strengthened communication and linkage among the "three lines of defense" and carried out special training and publicity and work assessment, so as to comprehensively enhance the endogenous motivation of anti-money laundering.

(IX) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The internal audit team works under the leadership of the Party Committee and the Board, and is accountable to and reports to the Party Committee and the Board. The Articles of Association clearly stated that the Board was responsible for establishing and maintaining an effective internal audit system to ensure that internal audit had sufficient independence. The internal audit departments were equipped with designated audit personnel, which was in compliance with the regulatory requirements.

During the Reporting Period, the internal audit focused on the strategic focus and made continuous efforts in serving organizational goals. The Bank highlighted the audit focus, carried out audit supervision around the national strategy, regulatory policies, state-owned enterprise reform, and paid equal attention to post-event supervision and pre-event prevention, further improving the level of audit supervision. The Bank focused on improving the efficiency and made continuous efforts in the construction of audit digitalization. The Bank strengthened the construction of audit informatization, built an efficient audit mode of system data retrieval, model early warning and on-site verification, and continuously optimized the audit model to improve the operational efficiency. The Bank focused on problem rectifications and made continuous efforts in promoting the transformation of audit results. The Bank improved the long-term mechanism and implemented three mechanisms of “coordinated rectification, review and supervision, and assessment and evaluation” to prevent repeated violations after repeated investigations. The Bank strengthened immediate action and rectification, and urged the on-site rectification audit to find problems. The Bank actively promoted the good experience in the application of audit results to help the Bank develop with high quality.

(X) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listed banks, the Bank continued to improve its management of related party transaction. The Bank strengthened the management of the list of related parties. It communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, regularly collected information from related parties, conducted dynamic management and timely update of the list, strengthened identification of related parties, thereby laying a solid foundation for related party transaction management. The Bank strictly examined and approved related party transactions, controlled the compliance risks of related party transactions, standardized the implementation of the review and disclosure standards of related party transactions, and performed the obligation of filing or submitting transactions in a timely manner. The Bank strengthened the concentration management and control of related party transactions. It regularly monitored indicators of concentration of related party transactions to prevent concentration risk. During the Reporting Period, all relevant indicators met the regulatory requirements.

Management Discussion and Analysis

1. Related party transactions during the ordinary course of business

During the Reporting Period, the Bank conducted related party transactions by following the regulatory requirements and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

- (1) In accordance with the relevant regulations of the regulatory authority of the banking industry, a total of 8 significant related party transactions were approved during the Reporting Period. The credit balance was RMB20.873 billion as at the end of the Reporting Period, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	715,000.00	5.76%
2	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) and group members	Credit	637,526.00	5.14%
3	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and group members	Credit	385,687.40	3.11%
4	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and group members	Credit	259,632.01	2.09%
5	Bank of Chongqing Co., Ltd.	Credit	89,417.29	0.72%
6	Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)	Credit	0	0
7	Changan Auto Finance Co., Ltd.	Credit	0	0
8	China Zheshang Bank Co., Ltd.	Credit	0	0

- (2) In accordance with the relevant regulations of the Shanghai Stock Exchange, during the Reporting Period, related party transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange considered by the Board or general meetings are as follows:

The 28th meeting of the fifth session of the Board of Directors and the 2022 annual general meeting of the Bank considered and approved the “the resolution in relation to the related party transactions with Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties”, “the resolution in relation to the related party transactions with Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related parties” and “the resolution in relation to the related party transactions with Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and its related parties” on 27 April 2023 and 25 May 2023 respectively, agreeing on the group comprehensive credit limit of RMB9,942.33 million to Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) with a credit period of 1 year, the group comprehensive credit limit of RMB17,500.00 million to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) with a credit period of 1 year and the group comprehensive credit limit of RMB17,500.00 million to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2023-015) published by the Bank on the website of the Shanghai Stock Exchange on 28 April 2023.

The 31st meeting of the fifth session of the Board of Directors of the Bank considered and approved the “resolution in relation to the related party transaction of Bank of Chongqing Co., Ltd.” and the “resolution in relation to the related party transaction of Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)” on 25 August 2023, agreeing on the inter-bank comprehensive credit limit of RMB3.78 billion to Bank of Chongqing Co., Ltd. with a credit period of 1 year and the inter-bank comprehensive credit limit of RMB1.5 billion to Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2023-027) published by the Bank on the website of the Shanghai Stock Exchange on 26 August 2023.

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The 32nd meeting of the fifth session of the Board of Directors of the Bank considered and approved the “resolution in relation to the related party transaction of Changan Auto Finance Co., Ltd.” on 26 September 2023, agreeing on the inter-bank comprehensive credit limit of RMB1.5 billion to Changan Auto Finance Co., Ltd. with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2023-032) published by the Bank on the website of the Shanghai Stock Exchange on 27 September 2023.

2. *Related party transactions in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in significant related party transaction in connection with purchase or sale of assets or equity interest.

3. *Related party transactions in connection with joint external investment*

During the Reporting Period, the Bank was not involved in significant related party transaction in connection with joint external investment.

4. *Claims, Debt Transactions with Related Parties*

During the Reporting Period, the Bank was not involved in significant claims or debt transactions with related parties of a non-operating nature.

5. *Business transactions with related finance companies*

During the Reporting Period, there was no finance company controlled by the Bank. The Bank was not involved in significant related party transactions in connection with deposits, loans, credit or other financial business with related finance companies.

6. *Other significant related party transactions*

During the Reporting Period, apart from the transactions mentioned above, the Bank did not have any other significant related party transactions that met the requirements of the securities regulatory authorities.

IX. Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and International Financial Reporting Standards (“IFRS”)

(I) Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

As a financial institution incorporated in the People’s Republic of China, the Bank prepares consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People’s Republic of China, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as “Accounting Standards for Enterprises”).

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There are some differences between the financial statements in this report and the Group’s financial statements prepared in accordance with the Accounting Standards for Enterprises. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	31 December 2023	31 December 2022	31 December 2021
In accordance with Accounting Standards for Enterprises	123,501.7	115,016.2	106,044.0
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	<u>123,941.8</u>	<u>115,456.3</u>	<u>106,484.1</u>

(II) Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative (重慶市農村信用合作社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (“Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognize the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

X. Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, fair value of financial instruments, consolidation of structured entities, and deferred taxes. For changes in significant accounting policies during the Reporting Period, please refer to Note II.1.1 to financial statements.

XI. Outlook

(I) Industry Pattern and Trend

In 2023, China's economy continued to recover with a positive trend and high-quality development has been solidly advanced. The GDP exceeded RMB126 trillion with a growth rate of 5.2%. The growth rate continued to be at the forefront among the world's major economies. The year 2024 marks the 75th anniversary of the founding of the People's Republic of China. Our country will unswervingly promote Chinese-path to modernization, adhere to the principle of seeking progress while maintaining stability, promoting stability with progress and establishing the new before abolishing the old, consolidate and enhance the positive trend of economic recovery and promote the economy to achieve the effective improvement in quality and reasonable growth in volume.

As far as Chongqing's regional economy is concerned, in 2023, Chongqing's total output value exceeded RMB3 trillion with a growth rate of 6.1% and the main indicators were in line with expectations, achieving the leading position. Chongqing has become the fourth city among China's megacities with a total GDP exceeding RMB3 trillion. In 2024, Chongqing will focus on the construction of the Chengdu-Chongqing Economic Circle, insist on promoting industrial innovation through scientific and technological innovation, build the New International Land-Sea Corridor at a high level and further promote people-oriented new urbanization and comprehensive rural revitalization to achieve high-quality development. The growth rate of the regional GDP is expected to reach approximately 6%. Chongqing will consolidate and enhance the positive trend of economic recovery and accelerate the construction of a new modern city.

(II) Development Strategy and Operating Plan of the Company

In 2024, the Bank will continue to further promote the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, focus on building a development system of “all-in-one four-wheel drive”, seize major national and regional development strategic opportunities, fully release the new vitality of the organizational structure, thereby promoting digital transformation to become a new development advantage. Firstly, make every effort to do a good job in the “five major areas”. The Bank will strengthen the high-quality financial services for weak links, optimize the financial supply and increase the layout by focusing on technology finance, green finance, inclusive finance, pension finance and digital finance. Secondly, fully grasp the new opportunities of major projects. The Bank will closely follow the key projects of the construction of the Chengdu-Chongqing Economic Circle, integrate into the construction of the New International Land-Sea Corridor, help the key industrial chains to “make up the chain and strengthen the chain” around the “33618” modern manufacturing industry cluster system, and promote the integrated development of the modern service industry and the advanced manufacturing industry. Thirdly, fully consolidate the new advantages of transformation and development. The Bank will provide excellent services for “agriculture, rural areas and farmers”, expand the inclusive business, build a comprehensive financial service system, and truly acquire customers through channels, revitalize customers through scenes and retain customers through services. Fourthly, fully improve the new quality and efficiency of digital empowerment. The Bank will lay a solid digital foundation, build an agile, efficient and coordinated digital operation mode, promote the two-way integration of business development and information technology, and promote the transformation from “product-centered” to “customer-centered”. Fifthly, make every effort to build a new pattern of steady operation. The Bank will coordinate business development and risk prevention and control, persist in seeking benefits from asset quality, reduce credit costs and provisions consumption, rationally determine risk control strategies, and standardize and guide operation and management.

Corporate Governance Report

I. Corporate Governance Structure

For details of the corporate governance structure of the Bank, please refer to the Appendix “Organization Chart” to this report.

II. Overview of Corporate Governance

During the Reporting Period, the Bank strengthened the system construction and improved the system mechanism in the areas of party leadership, shareholder governance, board governance, board of supervisors and senior management, stakeholder and social responsibility, incentive and restraint mechanism, information disclosure, risk management and internal control. The Board of Directors performed the function of inspection and evaluation of corporate governance, and carefully examined and evaluated the construction of corporate governance, so as to further enhance the scientificity, robustness and effectiveness of the governance system. The Bank continued to improve the transparency of corporate governance to ensure a high level of corporate governance, so as to protect shareholders’ rights and interests and enhance corporate value.

The Bank has strictly complied with the principles and code provisions of the CG Code in Part 2 of Appendix C1 to the Hong Kong Listing Rules and also complied with most of the recommended best practices therein. During the Reporting Period, the legal action which the directors of the Bank may face is basically covered in the internal risk management and control scope of the Bank. Meanwhile, the Bank purchased the “liability insurance for directors, supervisors and senior management” for all directors.

The Bank also strictly complied with the requirements under the relevant laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and that as required by the laws including the Company Law of the People’s Republic of China and administrative regulations and the relevant requirements to the corporate governance for listed company of the CSRC and Hong Kong Stock Exchange.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

For details about the Bank’s corporate culture, the basis for generating or retaining value in the long term, and strategies for achieving the Bank’s goals, please refer to “Chairman’s Statement”, “President’s Statement” and Chapter 3 “Management Discussion and Analysis” of this report.

III. Details of the General Meeting

The general meetings shall be an organ of power of the Bank and shall exercise relevant powers in accordance with the law. During the Reporting Period, the Bank convened and held the general meetings in strict accordance with relevant laws and regulations and the Articles of Association of the Bank. Details are as follows:

Session of meeting	Convening date	Resolutions of the meeting	Website to publish resolutions
2022 annual general meeting	25 May 2023	12 resolutions and 3 reports including the 2022 work report of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.	Official website of the Bank (www.cqrcb.com) and website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)

IV. Information on Directors, Supervisors and Senior Management

(I) Basic information on Directors, Supervisors and senior management

1. Information on Existing Directors, Supervisors and Senior Management

Directors

Name	Position	Gender	Age	Term of office ²
Xie Wenhui	Secretary to the Party Committee, Chairman Executive Director	Male	51	August 2014 –
Sui Jun	Deputy Secretary to the Party Committee, President Executive Director	Male	55	July 2023–
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board Executive Director	Male	49	December 2018 –
Hu Chun	Non-executive Director	Female	51	October 2022 –
Yin Xianglin	Non-executive Director	Male	42	December 2020 –
Zhang Qiaoyun	Independent Non-executive Director	Male	60	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	45	June 2019 –
Li Jiaming	Independent Non-executive Director	Male	58	December 2020 –
Bi Qian	Independent Non-executive Director	Female	55	December 2020 –

Supervisors

Name	Position	Gender	Age	Term of office
Huang Qingqing	Shareholder Representative Supervisor	Female	39	October 2020 –
Zhang Jinruo	External Supervisor	Male	43	October 2020 –
Hu Yuancong	External Supervisor	Male	49	October 2020 –
Zhang Yingyi	External Supervisor	Male	50	October 2020 –
Zheng Yi	Employee Representative Supervisor	Male	58	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	47	June 2019 –
Zhou Wei	Employee Representative Supervisor	Female	46	November 2021 –

² The appointment date of directors shown in this table was the date of performance of duty upon approval by the regulatory authority of the banking industry.

Senior Management

Name	Position	Gender	Age	Term of office ³
Sui Jun	Deputy Secretary to the Party Committee, President Executive Director	Male	55	March 2023 –
Zhou Guohua	Member of the Party Committee, Vice President	Male	58	October 2023 –
Zhang Peizong	Member of the Party Committee, Vice President Secretary to the Board Executive Director	Male	49	September 2016 – September 2020 –
Tan Bin	Member of the Party Committee, Vice President	Male	48	December 2023 –

2. Changes in Directors, Supervisors and Senior Management

(1) Engagement and resignation

In April 2023, Mr. Xie Wenhui ceased to be the president of the Bank upon consideration and approval of the Board.

Mr. Sui Jun has served as the deputy secretary to the Party Committee of the Bank since March 2023. He was appointed as the president of the Bank by the Board in April 2023 and was elected as the director of the Bank by the general meeting of shareholders in May 2023 and obtained the qualification approval for appointment as the president and director from the former China Banking and Insurance Regulatory Commission Chongqing Office and officially performed his duty in July 2023.

Due to personal work arrangement, Mr. Zhang Peng ceased to be a non-executive director of the Bank and a member of relevant special committees of the Board since August 2023.

As Mr. Song Qinghua has been the independent non-executive director of the Bank for six years, he ceased to be an independent non-executive director of the Bank and a member of relevant special committees of the Board since September 2023.

Due to personal work arrangement, Ms. Gu Xiaoxu resigned from a non-executive director and the positions of relevant special committees of the Board of the Bank since January 2024.

³ The term of office shown in this table was the time appointed or nominated by superior departments.

Mr. Zhou Guohua has served as a member of the Party Committee of the Bank since October 2023 and was appointed as the vice president of the Bank by the Board in November 2023 and obtained the qualification approval for appointment as the vice president from National Financial Regulatory Administration Chongqing Office and officially performed his duty in December 2023.

Mr. Tan Bin has served as a member of the Party Committee of the Bank since December 2023 and was appointed as the vice president of the Bank by the Board in January 2024 and obtained the qualification approval for appointment as the vice president from National Financial Regulatory Administration Chongqing Office and officially performed his duty in February 2024.

Due to job transfer, Mr. Gao Song ceased to be a member of the Party Committee of the Bank since July 2023 and ceased to be the vice president of the Bank since August 2023.

Due to attainment of retirement age, Mr. Yang Xiaotao ceased to be a member of the Party Committee of the Bank since September 2023 and ceased to be the Head of Supervisor (chairman of the Board of Supervisors) of the Bank since October 2023.

Due to attainment of retirement age, Mr. Wang Min ceased to be a member of the Party Committee of the Bank since September 2023 and ceased to be the vice president of the Bank since October 2023.

Due to job transfer, Ms. Dong Lu ceased to be a member of the Party Committee of the Bank since December 2023 and ceased to be the vice president of the Bank since January 2024.

On 28 March 2024, it was resolved to remove Ms. Shu Jing from the position as the vice president of the Bank at the 41st meeting of the fifth session of the Board of the Bank.

(2) Change in information

Mr. Li Jiaming ceased to be the general manager of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司) in August 2023.

Mr. Lee Ming Hau ceased to be the managing director of The Carlyle Group in January 2024 and served as the partner of Ares Management since January 2024.

Mr. Zhang Jinruo served as the external independent director of Chongqing Zhenbao Technology Co., Ltd. since December 2023.

3. Particulars of Changes in Shareholdings of Directors, Supervisors and Senior Management

Unit: share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/(Decrease)
Existing					
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	46,500	46,500	0 -	
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	75,400	75,400	0 -	
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	39,300	39,300	0 -	
Yin Xianglin	Non-executive Director	2,900	2,900	0 -	
Resigned					
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	25,700	25,700	0 -	
Zhang Peng	Non-executive Director	6,800	6,800	0 -	
Wang Min	Member of the Party Committee, Vice President	41,000	41,000	0 -	
Dong Lu	Member of the Party Committee, Vice President	39,000	39,000	0 -	
Gao Song	Member of the Party Committee, Vice President	38,700	38,700	0 -	
Shu Jing	Member of the Party Committee, Vice President	39,300	39,300	0 -	

(II) Biographies of Existing Directors, Supervisors and Senior Management

1. *Biographies of the Directors*

XIE Wenhui Secretary to the Party Committee, Chairman, Executive Director

Primary positions: he has been the executive director of the Bank since August 2014 and secretary to the Party Committee and the chairman since April 2022.

Professional background: he is a senior economist and engineer and obtained a master degree in engineering from Chongqing University in 1997.

Work experience: he served as the deputy secretary to the Party Committee, president, a member of the Party Committee and vice president of the Bank, the general manager and the deputy general manager (in charge of work) of the Technology Department of the Bank, and the deputy general manager and assistant to general manager at the Technology Department in Chongqing Rural Credit Cooperative Union.

SUI Jun Deputy Secretary to the Party Committee, President, Executive Director

Primary positions: he has served as the deputy secretary to the Party Committee and the president of the Bank since March 2023 and the executive director of the Bank since July 2023.

Professional background: he is a professor-level senior economist and obtained a doctoral degree of economics from Southwestern University of Finance and Economics in 2020.

Work experience: he served as a member of the Party Committee and vice president of Bank of Chongqing, the secretary to the Party Committee and the chairman of Chongqing Automotive Finance Co., Ltd., a member of the Party Committee, vice president, executive director, the secretary to the Board and general manager of the sales department of the Bank, the secretary to the Party Committee and the president of Jiangjin sub-branch, the secretary to the Party Committee and chairman of Jiangjin Rural Credit Cooperatives Union and general manager of the sales department of Nanchong branch of China Construction Bank, etc.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Primary positions: he has served as a member of the Party Committee and vice president of the Bank since September 2016 and an executive director of the Bank since December 2018, as well as the Secretary to the Board since September 2020.

Professional background: he is a professor-level senior economist and obtained a master degree in engineering from Chongqing University in 2008.

Work experience: he served as the secretary to the Party Committee, the chairman, deputy secretary to the party committee and the president of CQRC Financial Leasing Co., Ltd.; he assumed various positions in the Bank, including secretary to the party committee and the president of Beibei Branch, secretary to the party committee, the president, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch; he also served as the general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office of Chongqing Rural Credit Cooperative Union.

HU Chun Non-executive Director

Primary positions: she has served as an non-executive director since October 2022 and a member of the Party Committee and the chief financial officer of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) since October 2020.

Professional background: she is a senior accountant, obtained a master degree in accounting from Renmin University of China in 2013.

Work experience: she served as a member of the Party Committee, the chief financial officer and assistant to the general manager of Chongqing Airport Group Co., Ltd. (重慶機場集團有限公司), a member of the Party Committee and the chief financial officer of Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司), the manager of the finance department of Beijing Airport Ground Services Co., Ltd. (北京空港航空地面服務有限公司), the manager assistant of the finance department and the deputy manager of the finance department of Chongqing Airport Group Co., Ltd. (重慶機場集團有限公司) and deputy chief and the director of the accounting section of the finance department of the Civil Aviation Administration of China Chongqing Bureau (民航重慶市管理局).

YIN Xianglin Non-executive Director

Primary positions: he has served as a non-executive director of the Bank since December 2020. He has been the general manager and the vice secretary of the party committee of Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), the Shareholder of the Bank, since April 2016 and August 2020, respectively.

Professional background: he is an engineer and obtained a master degree in agricultural extension (land utilization) from Sichuan Agricultural University in 2009.

Work experience: he served as the chairman and the general manager of Chongqing Cairong Housing Leasing Co., Ltd. (重慶財融住房租賃有限公司), the general manager and the deputy general manager of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (now renamed as Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)), the deputy director of the Land Reserve and Renovation Division 2 and the deputy director of the Reserve Division 4 of Chongqing Land Group and the chief of the Engineering Construction Division of the Administrative Committee of Chongqing Central Business (Southern) Development Zone.

ZHANG Qiaoyun Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2018 and a professor and doctoral advisor in School of Finance of Southwestern University of Finance and Economics since January 2017.

Other positions: he serves as committee member of the advisory committee of Sichuan Province, an independent director of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and an independent director of Sichuan Agricultural Credit Guarantee Company Limited (四川省農業信貸擔保有限公司), Chengdu Wisdom World Technology Co., Ltd. and HAUXI Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002926). He is the legal representative of Yangtze River Financial Research Institute of Southwestern University of Finance and Economics in Yibin.

Professional background: he obtained a doctoral degree in economics from Southwestern University of Finance and Economics in 2002.

Work experience: he was a visiting scholar of Duquesne University, University of California, San Diego in the United States and served as the executive dean of the School of Finance of Southwestern University of Finance and Economics, deputy director and director of the Graduate School of Southwestern University of Finance and Economics. He concurrently served as a member of the 7th Applied Economics discipline review panel of the Academic Degrees Committee of the State Council and a member of the first and second session of the National Financial Professional Degree Steering Committee, the counselor of Chengdu Municipal People's Government, an

external supervisor of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and independent director of Liangshan Rural Commercial Bank Co., Ltd. (涼山農村商業銀行股份有限公司), Luzhou Laojiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000568), Chengdu Xingrong Investment Co., Ltd. (currently renamed as Chengdu Xingrong Environmental Co., Ltd. (成都市興蓉環境股份有限公司) and a company listed on the Shenzhen Stock Exchange, stock code: 000598), Guangxi Beibu Gulf Bank and Yibin Tianyuan Group Co., Ltd.

LEE Ming Hau Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since June 2019 and a partner of Ares Management since January 2024.

Professional background: he obtained a master degree in business administration from the Wharton School of the University of Pennsylvania in 2009.

Work experience: he served as the managing director of The Carlyle Group, an investment director of Clearwater Capital Partners and a project manager of The Boston Consulting Group.

LI Jiaming Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2020 and professor and doctoral supervisor of School of Economics and Business Administration, Chongqing University since September 2014.

Other positions: he serves as a member of Chongqing Senior Accountant and Senior Auditor Qualification Evaluation Committee (重慶市高級會計師、高級審計師資格評審委員會), vice chairman of Chongqing Internal Audit Association (重慶市內部審計協會) and executive director of Chongqing Audit Society (重慶市審計學會). He also serves as an independent director of Chongqing Jianshe Vehicle System Co., Ltd. (重慶建設汽車系統股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 200054) and Guangxi Liugong Machinery Company Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000528).

Professional background: he obtained a doctoral degree in management from Chongqing University in 2006.

Work experience: he served as the chairman and general manager of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司), the chief and the deputy chief of the Audit Division of Chongqing University, the executive deputy dean of City College of Science and Technology, Chongqing University, the general manager of Chongqing University Science and Technology Enterprise Group (重慶大學科技企業集團), and the officer of the Disciplinary Supervision and Review Office of Chongqing University.

BI Qian Independent Non-executive Director

Primary positions: she has served as an independent non-executive director of the Bank since December 2020. She has been a professor, and a doctoral supervisor, and head of the accounting department of the College of Economics and Management, Southwest University since July 2018 and October 2018, respectively.

Other positions: she serves as an independent director of Senci Mechatronic Co., Ltd. (神馳機電股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603109).

Professional background: she obtained a doctoral degree in management from Southwest University in 2010.

Work experience: she served as an associate professor of the College of Economics and Management of Southwest University and was awarded a scholarship by the China Scholarship Council to visit and study in Oregon State University in the United States. She successively served as a lecturer at the College of Basic Science and Technology, a lecturer and associate professor at the College of Economics and Management, Southwest Agricultural University.

2. *Biographies of the Supervisors*

HUANG Qingqing Shareholder Representative Supervisor

Primary positions: she has served as the shareholder representative supervisor of the Bank since October 2020 and legal person, the executive director and general manager of Xiamen Huishanghong Equity Investment Co., Ltd., a shareholder of the Bank, since March 2022.

Other positions: she serves as a director of Zhongshan Securities Co., Ltd. (中山證券有限責任公司).

Professional background: she is an intermediate economist and obtained a master degree in Finance from Xiamen University in 2010.

Work experience: she served as a supervisor of Zhongshan Securities Co., Ltd. (中山證券有限責任公司), the investment director, the investment manager and a senior analyst of Xiamen Gaoxinhong Equity Investment Co., Ltd. (currently renamed as Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)).

ZHANG Jinruo External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the professor and head of accounting department and a doctoral supervisor of the School of Economics and Business Administration, Chongqing University since September 2014 and November 2018, respectively.

Other positions: he serves as the part-time professor of Center for Accounting Studies of Xiamen University, the consulting experts on accounting of Chongqing Finance Bureau and the external independent director of Chongqing Iron & Steel Company Limited and Chongqing Zhenbao Technology Co., Ltd.

Professional background: he is listed in the Excellent Talent – Outstanding Individual (accounting) (重慶市英才—名家名師(會計類)) and is an Academic Pioneer of Accounting of the Ministry of Finance and a Chinese certified public accountant. He obtained a doctoral degree in accounting from Xiamen University in 2008 and was a student of Professor Ge Jiashu, an accounting expert.

Work experience: he served as the associate professor at School of Economics and Business Administration, Chongqing University.

HU Yuancong External Supervisor

Primary positions: he has served as the external supervisor of the Bank since October 2020. He has been a master tutor of Southwest University of Political Science and Law since July 2009, and a professor, doctoral supervisor and postdoctoral co-advisor at the Economic Law School of Southwest University of Political Science and Law since September 2013, July 2015 and July 2018, respectively.

Other positions: nil

Professional background: he obtained a doctoral degree in economic law from Southwest University of Political Science and Law in 2009.

Work experience: he served as a lecturer and associate professor at the Economic Law School of Southwest University of Political Science and Law.

ZHANG Yingyi External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the deputy director of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) since March 2012.

Other positions: he is a member of the Disciplinary Committee of the Chongqing Institute of Certified Public Accountants and an off-campus tutor for the master of accounting in Chongqing University of Technology.

Professional background: he is a Certified Public Accountant, lawyer and asset appraiser and obtained a bachelor degree from Southwestern University of Finance and Economics in 1995.

Work experience: he served as the manager of the audit department of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司), a certified public accountant and manager of the audit department of Chongqing Yuzhong Certified Public Accountants (重慶渝中會計師事務所) and the chief accountant of Chongqing Automobile Standard Parts Factory (重慶汽車標準件廠).

ZHENG Yi Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since November 2011 and the credit approval senior specialist of the Bank since November 2022.

Professional background: he is an economist and graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999.

Work experience: he served as the chief credit officer, the chief credit approval officer, a general manager of the credit approval department, a general manager of the credit management department and a general manager of the compliance management department of the Bank. He also served as a general manager, a vice general manager of the operation management department, a vice general manager of the risk management department and a deputy director of the credit management division of Chongqing Rural Credit Cooperative Union.

LE Xiaoming Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since June 2019 and the Deputy Chief of the Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision stationed in Chongqing Rural Commercial Bank Co., Ltd. since May 2020.

Professional background: he obtained a master degree in agricultural extension from Southwest University in 2012.

Work experience: he served as the director of the party committee office, the director of the party-masses work department and the director of the security department of the Bank. He also served as the division chief of the Personnel Secretariat, deputy division chief of the Personnel Secretariat and deputy division chief of the General Division of the Research Office of Chongqing Municipal People's Government.

ZHOU Wei Employee Representative Supervisor

Primary positions: she has served as an employee representative supervisor of the Bank since November 2021; and the director of the party-masses work department of the Bank since January 2024.

Professional background: she obtained a bachelor degree of arts from Sichuan International Studies University in 1999 and a bachelor's degree in economics from Southwestern University of Finance and Economics in 2008.

Work experience: she served as a director of office of the Board of Supervisors, the director of the training center and the deputy director of office of the Board of Supervisors (being responsible for overall work), a member of the Party Committee and a vice president of Beibei Branch, a vice general manager of the risk management department and a vice general manager of the credit management department of the Bank.

3. *Biographies of the Senior Management*

SUI Jun Deputy Secretary to the Party Committee, President, Executive Director

Please refer to the section headed "Biographies of the Directors" of this annual report for biographic details of Mr. Sui Jun.

ZHOU Guohua Member of the Party Committee, Vice President

Primary positions: he has served as a member of the Party Committee and vice president of the Bank since October 2023.

Professional background: he is an assistant economist and graduated from Sichuan Agricultural University in 1991 with a major in agricultural and animal husbandry economic management.

Work experience: he served as a member of the party committee, the vice president and chief operation officer, the president of great hall sub-branch, the president of Hi-tech industrial development zone branch of Bank of Chongqing, the vice president of Yubei sub-branch (in charge) and the chief of the office of the Board of Supervisors of Chongqing Commercial Bank.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Please refer to the section headed “Biographies of the Directors” of this annual report for biographic details of Mr. Zhang Peizong.

TAN Bin Member of the Party Committee, Vice President

Primary positions: he served as a member of the Party Committee and vice president of the Bank since December 2023.

Professional background: he is a senior economist and graduated from Chongqing University with a major in mechanical and electronic engineering in 1998.

Work experience: he has served as the general manager of the rural revitalization finance department, the Sannong business management department, the small and micro financial business department, the village and township bank management department, the personal business department, and the secretary to the party committee and the president of Zhong County branch, the deputy general manager of the corporate business department and a member of the party committee and vice president of Wanzhou branch of Chongqing Rural Commercial Bank, the deputy director of Chongqing Wanzhou District Rural Credit Cooperative Union and the assistant to the director of Chongqing Tongliang District Rural Credit Cooperative Union.

(III) Remuneration of Directors, Supervisors and Senior Management in 2023

1. Remuneration

Unit: RMB0'000

Name	Position	Paid Remuneration (before tax)	Social Insurance, Housing Provident Fund, Supplementary Medical Insurance, Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2023	Whether to get paid from Associated Company
Existing							
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	41.48	12.81	-	-	54.29	No
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	31.11	8.67	3.60	-	43.38	No
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	33.18	12.81	3.84	-	49.83	No
Hu Chun	Non-executive Director	-	-	-	9.00	9.00	Yes
Yin Xianglin	Non-executive Director	-	-	-	9.00	9.00	Yes
Zhang Qiaoyun	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Lee Ming Hau	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Li Jiaming	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Bi Qian	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Huang Qingqing	Shareholder Representative Supervisor	-	-	-	7.50	7.50	Yes
Zhang Jinruo	External Supervisor	-	-	-	12.00	12.00	Yes
Hu Yuancong	External Supervisor	-	-	-	12.00	12.00	No
Zhang Yingyi	External Supervisor	-	-	-	12.00	12.00	No
Zheng Yi	Employee Representative Supervisor	-	-	-	-	-	No
Le Xiaoming	Employee Representative Supervisor	-	-	-	-	-	No
Zhou Wei	Employee Representative Supervisor	-	-	-	-	-	No
Zhou Guohua	Member of the Party Committee, Vice President	5.53	2.16	0.64	-	8.33	No

Corporate Governance Report

Name	Position	Paid Remuneration (before tax)	Social Insurance, Housing Provident Fund, Supplementary Medical Insurance, Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2023	Whether to get paid from Associated Company
Resigned							
Zhang Peng	Non-executive Director	-	-	-	6.00	6.00	Yes
Gu Xiaoxu	Non-executive Director	-	-	-	-	-	Yes
Song Qinghua	Independent Non-executive Director	-	-	-	13.50	13.50	Yes
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	34.56	10.70	4.00	-	49.26	No
Wang Min	Member of the Party Committee, Vice President	27.64	10.70	3.20	-	41.54	No
Dong Lu	Member of the Party Committee, Vice President	33.18	12.81	3.84	-	49.83	No
Gao Song	Member of the Party Committee, Vice President	19.35	7.54	2.24	-	29.13	No
Shu Jing	Member of the Party Committee, Vice President	33.18	12.81	3.84	-	49.83	No

Notes:

- (1) According to relevant regulations, from 1 January 2015, the remuneration of the Chairman, Head of Supervisors, President and other responsible persons of the Bank will be implemented in accordance with the opinions on the supervision of the remuneration system reform of the responsible persons of relevant enterprises.
- (2) The 2023 final assessment of remuneration for the Chairman, Head of Supervisors and senior management of the Bank are still in the process of confirming. The Bank will issue a separate announcement.
- (3) Paid remuneration refers to paid remuneration to directors, supervisors, and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for 2023 that was issued in accordance with external regulatory requirements.
- (4) The employee representative supervisors of the Bank do not receive remuneration as employee representative supervisors.
- (5) Other monetary income is the business transportation subsidy issued to senior management in the form of currency in accordance with the regulations of relevant authorities.
- (6) Ms. Gu Xiaoxu issued the written commitment, stating that she is voluntary to waive her allowance or remuneration as a director during her term of office as a director of the Bank.

2. *Salary decision-making procedure and basis*

The Bank provides remuneration to non-executive directors, independent directors, shareholder representative supervisors and external supervisors according to the Proposal on Directors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd. and the Proposal on Supervisors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd., which were considered and adopted at the 2017 annual general meeting of shareholders, provides remuneration to executive directors and other senior management personnel according to the Management Measures for the Remuneration of the Heads of Chongqing Rural Commercial Bank, and provides remuneration to employee supervisors according to the Management Measures for Remuneration of Chongqing Rural Commercial Bank.

The Board of Directors of the Bank assesses the senior management personnel according to the Measures for Performance Evaluation of Financial Enterprises, the Interim Management Measures for Salaries of Responsible Persons of Municipal State-owned Key Enterprises, and the Management Measures for Salaries of Responsible Persons of Chongqing Rural Commercial Bank. The Board of Supervisors conducts daily supervision on the performance of duties by directors, supervisors and senior management according to the Evaluation Method for the Performance of Duties by Directors, Senior Management and Members of Chongqing Rural Commercial Bank Co., Ltd., and the Evaluation Method for the Performance of Duties by Supervisors of Chongqing Rural Commercial Bank Co., Ltd. At the same time, the Board of Supervisors evaluates the annual performance of duties by directors, supervisors and senior management by attending the meetings of the Board of Supervisors, attending the meetings of the Board of Directors as non-voting members, consulting the annual duty performance evaluation summary, and reviewing the information in the annual personal debriefing reports (including but not limited to attending meetings, participating in investigation and research, training and learning, expressing opinions and suggestions, working hours of performing duties in the company, etc.), and reports to the general meeting of shareholders and the regulatory authorities.

V. Board of Directors and Special Committees

(I) Responsibility and operation of the Board

The Board shall be responsible for the general meeting of shareholders, bear the ultimate responsibility for operation and management, and exercise its functions and powers within the scope of laws, regulations, regulatory requirements, the Articles of Association of the Bank and the powers granted by the general meeting of shareholders to safeguard the legitimate rights and interests of the Bank and its shareholders. The major responsibilities are as follows: convening the general meeting of shareholders and make a report on work to the meeting; implementing the resolutions adopted by the shareholders' general meeting; determining our business plans and development strategies and overseeing its implementation; formulating the Bank's profit distribution, financial budget and final accounts; determining such matters as the Bank's significant external investment, significant merger & acquisitions, significant acquisition of assets, significant assets disposal, significant assets cancellation after verification and significant external guarantee within the authorization limits of the general meeting of shareholders; formulating the proposal program for amending the Bank's Articles of Association, the Rules and Procedures of the General Meetings and the Rules and Procedures of the Meetings of the Board; and hearing the work report of the President.

Pursuant to the CG Code and the Articles of Association of the Bank, the Board Meetings are divided into regular meetings and interim meetings. The regular meetings of the Board shall be held for at least one time each quarter, and shall be convened by the chairman. A meeting notice should be delivered in writing to all directors and supervisors fourteen days before the meeting. At Board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the Board of Directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal. Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. According to relevant requirements, the minutes will be circulated to all directors in time as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time.

All directors maintain communication with the secretary to the Board of Directors so as to ensure the compliance with board procedures and all applicable rules and regulations. Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

The Board of Directors has set up a Board office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the Board of Directors, information disclosure and other daily work.

(II) The Board of Directors' Implementation of Resolutions of the General Meeting

In 2023, the Board of Directors strictly implemented the resolutions passed at the 2022 annual general meeting, earnestly implemented the resolutions regarding the 2022 profit distribution plan, the 2023 financial budget, the appointment of accounting firm for 2023, the related party transactions regarding to group credit limits of Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), Issuance of Qualified Tier-2 Capital Instruments and election of Mr. Sui Jun as the executive director of the Bank considered and passed at the general meetings.

(III) Composition of the Board of Directors

As of the date of this report, the Board of Directors comprised 9 directors, including 3 executive directors, namely, Mr. Xie Wenhui (chairman of the Board), Mr. Sui Jun (president) and Mr. Zhang Peizong (vice president and secretary to the Board); 2 non-executive directors, namely, Ms. Hu Chun and Mr. Yin Xianglin; 4 independent non-executive directors, namely, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules. Directors shall be elected or replaced at the shareholders' general meeting and may be dismissed by the shareholders' general meeting prior to the expiration of their term of office. The term of office of a director shall be three years. Upon the expiry of the term, a director shall be eligible for re-election and re-appointment. The office term of a re-elected and re-appointed director is effective upon approval by the general meeting while the term of office of a new director is effective upon approval by the banking regulatory agency until expiration of the term of the current session of the Board of Directors.

The Board of Directors is responsible for the performance of the functions of corporate governance. During the year ended 31 December 2023, the Board of Directors performed the functions of corporate governance as set out in code provision A.2.1 in the CG Code.

(IV) Board Meetings

During the Reporting Period, the 24th meeting (12 January), the 25th meeting (28 February), the 26th meeting (30 March), the 27th meeting (10 April), the 28th meeting (27 April), the 29th meeting (3 July), the 30th meeting (3 August), the 31st meeting (25 August), the 32nd meeting (26 September), the 33rd meeting (18 October), the 34th meeting (27 October), the 35th meeting (22 November), the 36th meeting (28 November) and the 37th meeting (26 December) of the fifth session of the Board of Directors of the Bank were convened. The Bank convened a total of 14 Board meetings including 8 on-site meetings and 6 meetings by communication means. 123 resolutions and reports were considered and reviewed at such meetings including those regarding 2022 annual report, 2023 interim report, 2022 corporate social responsibility report and 2022 work report of the Board of Directors. Special committees under the Board of Directors convened 44 meetings and 96 resolutions and reports were considered and reviewed at such meetings.

During the Reporting Period, the attendance of the directors of the Bank at the general meetings, Board meetings and meetings of the special committees under the Board of Directors (directors who are involved in connected transactions and required to be abstained from the meetings of the special committees under the Board of Directors are also deemed as present) are set out as follows:

Attendances in person/meetings required to attend during the term of office

Directors	Special Committees of the Board of Directors									
	General meeting	Board meeting	Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors										
Xie Wenhui	1/1	14/14	5/5	8/8		4/4			2/2	
Sui Jun	0/0	8/8	2/2	2/2			1/1			
Zhang Peizong	1/1	14/14		10/10			2/2	9/9		4/4
Non-executive Directors										
Hu Chun	1/1	14/14	5/5		2/2	4/4			2/2	
Yin Xianglin	1/1	14/14						9/9	0/0	4/4
Independent Non-executive Directors										
Zhang Qiaoyun	1/1	14/14	5/5	10/10	7/7	4/4				4/4
Lee Ming Hau	1/1	14/14			7/7	4/4	3/3	9/9		0/0
Li Jiaming	1/1	14/14			7/7	4/4	3/3	2/2	2/2	
Bi Qian	1/1	14/14	5/5	10/10	7/7		1/1	9/9	2/2	
Resigned Directors										
Zhang Peng	1/1	6/6	3/3							4/4
Gu Xiaoxu	1/1	14/14		10/10			3/3			
Song Qinghua	1/1	9/9			5/5		2/2	7/7	2/2	4/4

Notes:

- (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.
- (2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.
- (3) For details of the change of directors, please refer to the section headed "Directors, Supervisors and Senior Management".

(V) Independent Non-executive Directors

During the Reporting Period, the Bank has 4 independent non-executive directors, and the qualifications are in compliance with domestic and overseas regulatory requirements. The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank, so as to ensure their independence. The Bank has received from each of the independent non-executive directors an annual confirmation of his/her independence (the independence guidelines as set out in Rule 3.13 of the Hong Kong Listing Rules). Upon assessment, the Board of Directors considers that all of the independent non-executive directors still meet the independence requirements and are independent.

All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years. For details of the duty performance of independent non-executive directors of the Bank during the Reporting Period, please refer to the 2023 Work Report of the Independent Non-executive Directors of Chongqing Rural Commercial Bank Co., Ltd. published on the website of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange.

The Bank has established relevant mechanism to ensure that the Board of Directors can obtain independent views and opinions, including but not limited to reviewing from time to time if the independent non-executive directors have appropriate qualifications and expertise and sufficient time devoted to the Group, and if the number of independent non-executive directors complies with the requirements of the Hong Kong Listing Rules. The Board of Directors will review the implementation and effectiveness of such mechanism annually. During the Reporting Period, the Board has reviewed this mechanism and considered such mechanism was effective.

(VI) Directors' Responsibility for the Preparation of Financial Reports

The directors of the Bank acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2023. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2023.

(VII) Continuous Professional Development Programme for Directors

Each newly appointed director should be given official, comprehensive and tailor-made information for his/her respective appointment upon his/her first appointment for the assurance of his/her appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages all directors to participate in continuous professional development for developing and updating their knowledge and skills. During the Reporting Period, the Bank continued to improve directors' capabilities to perform their duties, and organized all directors to participate in diversified training: completing the follow-up training for independent directors of the Shanghai Stock Exchange and the follow-up training for secretary to the Board; participating in the special trainings on Cases of Anti-Monopoly Law, New Financial Instrument Standards and New Income Standard, Basic Requirements and Typical Cases of Rules on the Reduction in Shareholding, Regulations on the Reduction in Shareholding by Substantial Shareholders, Directors, Supervisors and Senior Management of Listed Companies, Interpretation of Policy on the Registration System Reform for Listed Companies and special training on the Independent Director System of Listed Companies organized by the China Banking Association and Association of Listed Companies in Chongqing; participating in the special research on Financial Support for Rural Revitalization of Agricultural Industry and the special training on anti-money laundering and anti-terrorist financing and legal compliance organized by the Bank.

The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their continuous contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

(VIII) Special Committees of the Board

There are eight special committees established under the Board of Directors of the Bank, namely the strategic development committee, risk management committee, audit committee, nomination committee, remuneration committee, related party transaction supervision committee, Sannong financial services committee and consumer rights protection committee. As at the date of this report, compositions of the special committees of the Board of Directors are set out as follows:

Directors	Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors								
Xie Wenhui	Chairman			member			Chairman	
Sui Jun	member	Chairman			member			
Zhang Peizong		member				member		Chairman
Non-executive Directors								
Hu Chun	member		member	member			member	
Yin Xianglin						member	member	member
Independent Non-executive Directors								
Zhang Qiaoyun	member	member	member	Chairman				member
Lee Ming Hau			member	member	member	member		member
Li Jiaming			Chairman	member	Chairman	member	member	
Bi Qian	member	member	member		member	Chairman	member	

Notes:

- (1) Mr. Xie Wenhui ceased to serve as a chairman and a member of the Risk Management Committee, with effect from 26 September 2023.
- (2) Mr. Sui Jun has served as a chairman of the Risk Management Committee, a member of the Strategic Development Committee and a member of the Remuneration Committee, with effect from 26 September 2023.
- (3) Mr. Zhang Peizong ceased to serve as a member of the Remuneration Committee, with effect from 26 September 2023.
- (4) Ms. Hu Chun has served as a member of the Audit Committee, with effect from 26 September 2023.
- (5) Mr. Zhang Peng ceased to be a member of the Strategic Development Committee and a member of the Consumer Rights Protection Committee, with effect from 2 August 2023.
- (6) Mr. Yin Xianglin served as a member of Sannong Financial Services Committee, with effect from 26 September 2023.
- (7) Ms. Gu Xiaoxu ceased to be a member of the Risk Management Committee, a member of the Remuneration Committee and a member of the Consumer Rights Protection Committee, with effect from 2 January 2024.
- (8) Mr. Song Qinghua ceased to be a chairman of the Remuneration Committee and a member of the Audit Committee, the Related Party Transaction Supervision Committee, Sannong Financial Services Committee and the Consumer Rights Protection Committee, with effect from 26 September 2023.
- (9) Mr. Lee Ming Hau served as a member of the Consumer Rights Protection Committee, with effect from 26 September 2023.
- (10) Mr. Li Jiaming served as a chairman of the Remuneration Committee and a member of the Related Party Transaction Supervision Committee, with effect from 26 September 2023.
- (11) Ms. Bi Qian served as a member of the Remuneration Committee, with effect from 26 September 2023.

During the Reporting Period, the special committees of the Board of Directors agreed with various resolutions and gave advice and recommendations to our related work without objection in accordance with the regulatory regulations and the terms of reference. The duty performance of the special committees are set out as follows:

1. *Strategic Development Committee*

The primary responsibilities of the strategic development committee include: formulating the strategies and development plans and annual operation plans of the Bank; reviewing the annual financial budgets; making a study on the significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries and make recommendations; reviewing significant investment, financing, acquisition and merger plans of the Bank; formulating the green finance development strategy, green finance goal of the Bank, and monitoring and evaluating the implementation of the green finance development strategy.

During the Reporting Period, the strategic development committee held five meetings on 12 January, 16 March, 14 April, 8 October and 20 November, respectively, and considered and reviewed eight proposals of the Bank, including work report of the president for 2022, planning of institutional outlets in 2023, the work report of green finance in 2022, the medium-term capital plan for 2023-2025, the financial budget for 2023, issuance of the tier-2 capital instruments, the plan on the financial support for the construction of the new land-sea channel in the western region and supporting and integration into the construction plan of Chengdu-Chongqing Economic Circle.

2. *Risk Management Committee*

The primary responsibilities of the risk management committee include: reviewing the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank; guiding the construction of risk management and compliance management system; monitoring and evaluating the legal construction, risk management, risk resistance and anti-money laundering of the Bank; evaluating risks and compliance of the Bank on a regular basis; putting forward the overall requirements for risk prevention and making assessment on the effectiveness of risky cases management of the Bank; assessing and supervising the development of new products and major change to existing products; and supervising and evaluating the annual financial innovation plan and the performance.

During the Reporting Period, the risk management committee held 10 meetings on 6 January, 20 February, 22 February, 16 March, 10 April, 26 June, 14 August, 12 September, 20 November and 22 December, respectively, and considered and reviewed 29 proposals and reports of the Bank, including the innovative product plan for 2023, the implementation report of innovative products for 2022, the compliance management evaluation report for 2022, the internal capital adequacy evaluation report for 2022, the anti-money laundering work report for 2022, the risk management evaluation report for 2022, the report on write-off of doubtful debts for 2022, the risk appetite statement for 2023, information technology risk management report for 2022 and opinions on the case prevention and control work for 2023.

3. *Audit Committee*

Members of the audit committee consist of four independent non-executive directors and one non-executive director and meet the requirements of Rule 3.21 of the Hong Kong Listing Rules. The primary responsibilities of the audit committee include: supervising the internal control of the Bank, and examining and evaluating the compliance of significant operating activities of the Bank; reviewing the major financial policies of the Bank and their implementation and supervising the financial operation; supervising and evaluating the internal audit work of the Bank; proposing to appoint or change the external auditor; reviewing the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other disclosable financial information prepared by the external auditor; reviewing important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans; coordinating between the internal audit department and the external auditor; ensuring that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procuring the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters; reviewing the financial information of the Bank and its disclosure; and supervising and evaluating the internal control of the Bank.

During the Reporting Period, the audit committee held 7 meetings on 20 February, 16 March, 19 April, 26 June, 24 August, 26 October and 20 November, respectively, and considered and reviewed 22 proposals and reports, including the internal audit work report for 2022, the internal audit work plan for 2023, the financial final accounts plan for 2022, the engagement of accounting firm for 2023, the annual report for 2022 and its summary and results announcement, the first quarter report proposal for 2023, the interim report for 2023 and its summary and results announcement, and the third quarter report for 2023. According to the provisions of the CG Code, the Bank held two meetings between the audit committee and auditors during the Reporting Period.

The audit committee of the Board of Directors of the Bank considered the unaudited financial statements of the Bank for 2023 in the course of preparing its 2023 annual report. In the course of audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the audit committee listened to the report on the operation of the Bank for 2023, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit and reviewed the financial statements of the Bank. Before the convening of the annual meeting of the Board of Directors, the audit committee reviewed the Bank's 2023 annual report and agreed to submit the same to the Board of Directors for consideration and approval.

4. *Nomination Committee*

The primary responsibilities of the nomination committee include: assessing the structure, and composition of the Board of Directors; formulating the standard and procedures for the selection of directors and senior management members of the Bank; selecting and reviewing suitable candidates with relevant qualifications for directors and senior management members; formulating, reviewing and discussing the diversity policy of the Board of Directors and supervising the implementation of the diversity policy of the Board of Directors; and assessing the independence of independent directors.

During the Reporting Period, the nomination committee held 4 meetings on 7 April, 21 April, 11 July and 20 November, respectively, and considered and reviewed 5 proposals, including the engagement of the president of Chongqing Rural Commercial Bank Co., Ltd., the nomination of Mr. Sui Jun as a candidate for an executive director of Chongqing Rural Commercial Bank Co., Ltd., the engagement of the general manager of the audit department of Chongqing Rural Commercial Bank Co., Ltd., the engagement of the vice president of Chongqing Rural Commercial Bank Co., Ltd. and the engagement of the general manager of financial accounting department of Chongqing Rural Commercial Bank Co., Ltd.

The Bank adopted the diversity policy of the Board of Directors. In determining the composition of members, the Board of Directors considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Board of Directors consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules. The nomination committee will evaluate the structure, size and composition of the Board of Directors from time to time to ensure the achievement of the objectives of diversity and the implementation of diversity policy. As of the date of this report, the Board of Directors of the Bank has 3 executive directors, 2 non-executive directors (including 1 female non-executive director) and 4 independent non-executive directors (including 1 female independent non-executive director), and the independent non-executive directors account for more than one third of the total members of the Board of Directors. The current composition of the Board of Directors of the Bank has complied with the Hong Kong Listing Rules regarding gender diversity of members of the Board and the diversity policy of the Board of the Bank.

Working procedures of the nomination committee: the nomination committee shall, in accordance with relevant laws, regulations, administrative rules, and provisions of the Articles of Association of the Bank, and in consideration of the Bank's actual conditions, review the procedures and criteria for electing the Bank's directors and senior management members, and their terms of office; and shall submit to the Board of Directors the resolution thereof; and implement such resolution if it is considered by the Board of Directors.

Procedures for electing directors and senior management members: the nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior management members; the nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experiences and their part-time jobs, etc.; the nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior management members; the nomination committee shall call a meeting of the nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior management members according to their credentials, and make recommendation to the Board of Directors; the nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

During the Reporting Period, the Nomination Committee has nominated director candidates to the Board in compliance with the diversity policy of the Board of the Bank and the above-mentioned procedures for electing directors and senior management. The Nomination Committee and the Board have reviewed the diversity policy of the Board and the director nomination policy, and considered the diversity policy of the Board and the director nomination policy were effective.

5. *Remuneration Committee*

The primary responsibilities of the remuneration committee include: reviewing and considering the Bank's fundamental system and policy of remuneration management; studying and reviewing the remuneration policies and remuneration package for the directors and senior management; reviewing the appraisal of performance of duties of directors and senior management and making recommendation on remuneration allocation of directors and senior management.

During the Reporting Period, the remuneration committee held 3 meetings on 16 March, 11 July and 15 December respectively, and considered and reviewed 4 proposals and reports, including the report of the Board of Directors on the evaluation of directors, senior executives and mutual evaluation of independent directors in 2022, the completion of business objectives in 2022, and the tenure targets of the head of the Head Office in 2023.

Working procedures of the remuneration committee: the office of the Board of Directors shall be responsible for the preparation for the remuneration committee's decision-making, providing the key financial indicators and progress in reaching the business objectives of the Bank, the information about achievement of performance targets of directors and senior management and their business innovation ability and operation performance based on such ability and the basis of calculation in the formulation of the remuneration allocation plans and method in accordance with the performance of the Bank, studying, discussing and reviewing the information submitted by the office of the Board one by one, submitting to the Board of Directors for consideration the recommendation on the remuneration for the directors and senior management, and the rewarding method in accordance with the result of appraisal of performance of duties and the remuneration allocation policy, after it is passed by voting.

6. *Related Party Transaction Supervision Committee*

The primary responsibilities of the related party transaction supervision committee include: formulating the fundamental system of related transaction management; identifying the related parties of the Bank, reviewing the significant related party transactions of the Bank and reporting to the Board of Directors and the Board of Supervisors; and receiving filings of general related party transactions.

During the Reporting Period, the related party transaction supervision committee held 9 meetings on 17 January, 2 February, 16 March, 10 April, 24 April, 7 August, 13 September, 1 November and 8 December, respectively, and considered and reviewed 19 proposals and reports, including the list of related parties of the Bank, the funds occupied by the controlling shareholders and other related parties in 2022, the related party transaction report in 2022, the related party transaction of Chongqing Rural Commercial Finance Leasing Co., Ltd. (渝農商金融租賃有限責任公司), the related party transaction regarding to group credit limits of Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司), the related party transactions regarding to group credit limits of Chongqing City Construction Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司), the related party transaction regarding to group credit limits of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), the related transactions of leasing property to related parties, and the filing report of general related party transactions.

7. *Sannong Financial Services Committee*

The primary responsibilities of the Sannong financial services committee include: examining and approving the Bank's Sannong financial services development strategy planning and annual Sannong financial services development goal; examining and approving the Bank's Sannong financial services resource allocation plan; and supervising and evaluating the implementation situation of Sannong financial services by the Bank's operation and management layer.

During the Reporting Period, the Sannong financial services committee held 2 meetings on 16 March and 14 August respectively, and considered and reviewed 3 proposals and reports, including the Bank's guiding opinions on comprehensively promoting rural revitalization with financial support in 2023, the work report on rural revitalization financial services for 2022 and the report on rural revitalization in the first half of 2023.

8. *Consumer Rights Protection Committee*

The primary responsibilities of the consumer rights protection committee include: reviewing the administrative measures for the consumer rights protection of the Bank; reviewing and evaluating the Bank's plan on consumer rights protection; reviewing the report on the consumer rights protection, the audit of consumer rights protection and the rectification report on consumer rights protection problem.

During the Reporting Period, the consumer rights protection committee held 4 meetings on 6 January, 22 February, 20 March and 12 July respectively, and considered and reviewed 6 proposals and reports, including the assessment results of consumer rights protection in 2022, the report on consumer rights protection in 2022, the special audit report on consumer rights protection in 2022, the opinions on financial consumer rights protection in 2023, the report on consumer rights protection in the first half of 2023, and the amendments to the administrative measures on consumer rights protection.

VI. Board of Supervisors and Special Committees

(I) Composition of the Board of Supervisors

The Board of Supervisors as the internal supervisory body in the Bank, shall be responsible to the shareholders' general meeting, and exercise the following powers: supervising and checking the Bank's financial matters; supervising the Bank's directors, president and other senior managers when they perform their duties in the Bank; reviewing the periodic reports prepared by the Board of Directors and submitting written audit opinions; conducting an outgoing audit for directors and senior managers; supervising the Board of Directors in establishing sound operating philosophy, value criterion and setting development strategies that meet requirement of the practices of the Bank; supervising the Bank's business decision-making, risk management and internal control and urging its rectification; supervising the procedure of the election and appointment of directors; conducting a comprehensive evaluation for duty performance of directors, supervisors and senior management; and supervising the compensation management system and policy of the Bank and whether the compensation program for senior management is scientific and appropriate.

Our supervisors are elected for a term of three years and may be subject to re-election upon expiration of their terms of office. Our external supervisors are elected for a term of three years and are eligible for re-election, provided that their terms of office shall not exceed six consecutive years.

As at the end of the Reporting Period, the Board of Supervisors comprised 7 supervisors, including 1 shareholder representative supervisor, namely Ms. Huang Qingqing, 3 external supervisors, namely Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi; 3 employee representative supervisors, namely Mr. Zheng Yi, Mr. Le Xiaoming and Ms. Zhou Wei. Ms. Huang Qingqing was nominated by Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司).

(II) Special Committees of the Board of Supervisors

The Board of Supervisors may set up a nomination committee, an audit committee, a due diligence supervision committee, and an internal control and review committee. The Board of Supervisors may establish other special committees or adjust the existing committees based on its work needs. Each special committee under the Board of Supervisors shall be responsible to the Board of Supervisors and assist the Board of Supervisors in performing its duties.

Among which, Zhang Jinruo serves as the chairman of the nomination committee and Zhang Yingyi and Le Xiaoming serve as members. The nomination committee is primarily responsible for preparing the selection and appointment procedures and criteria of non-employee supervisors, making a preliminary review for qualification of candidates for non-employee supervisors and proposing suggestions to the Board of Supervisors.

Zhang Yingyi serves as the chairman of the audit committee and Huang Qingqing and Zheng Yi serves as members. The audit committee is primarily responsible to formulate inspection and supervision programs for the financial activities of the Bank; to formulate an audit program for the business decision-making, risk management and internal control of the Bank.

Hu Yuancong serves as the chairman of the due diligence supervision committee and Le Xiaoming and Zhou Wei serve as members. The due diligence supervision committee is primarily responsible to supervise due diligence situations of the Board of Directors, the Board of Supervisors and senior management and their members, conducting a comprehensive evaluation and reporting to the Board of Supervisors.

Hu Yuancong serves as the chairman of the internal control and review committee and Zheng Yi and Zhou Wei serve as members. The internal control and review committee is primarily responsible for organizing the audit and assessment of the Bank's business decision-making, risk management and internal control.

(III) Meetings of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors held 7 meetings at which proposals mainly including annual conclusion of the Board of Supervisors, report on centralized supervision and inspection, special investigation reports on core business, financial budgets and accounts, profit distribution and report on internal control evaluation were considered and heard.

Attendance records of the supervisors at meetings of the Board of Supervisors during the Reporting Period are set out as follows:

Attendances in person/meetings required to attend during the term

Supervisors	General Meeting	Board of Supervisors	Special Committees of the Board of Supervisors			Nomination Committee
			Due Diligence Supervision Committee	Internal Control and Review Committee	Audit Committee	
Head of Supervisor						
Yang Xiaotao	1/1	6/6	1/1			
Shareholder Supervisor						
Huang Qingqing	1/1	7/7			4/4	
External Supervisors						
Zhang Jinruo	1/1	7/7				0/0
Hu Yuancong	1/1	7/7	1/1	1/1		
Zhang Yingyi	1/1	7/7			4/4	0/0
Employee Supervisors						
Zheng Yi	1/1	7/7		1/1	4/4	0/0
Le Xiaoming	1/1	7/7	0/0			
Zhou Wei	1/1	7/7	1/1	1/1		

Notes:

- (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.
- (2) Supervisors who did not attend the meetings of the Board of Supervisors in person appointed other supervisors to attend the meetings and exercise the voting right on their behalf.
- (3) For the change of supervisors, please refer to the section headed "Directors, Supervisors and Senior Management".

VII. Senior Management

The senior management, as the executive body of the Bank, shall report to the Board of Directors and the Board of Supervisors the Bank's operating performance, important contracts, financial conditions, risk status and business prospects in a timely, accurate and complete manner as required.

The Bank implements the president responsibility system under the leadership of the Board of Directors. The president is appointed by the Board of Directors and is responsible to the Board of Directors. The president has the right to organize operating and management activities in accordance with laws and regulations, the Articles of Association of the Bank and the authorization of the Board of Directors. His/her main responsibilities include: presiding over the daily administrative, business and financial management of the Bank, and reporting to the Board of Directors; organizing and implementing the resolutions of the Board of Directors, the annual plan and investment plan of the Bank; formulating the internal management and organization establishment plans, basic management systems and specific regulations and rules of the Bank; establishing the accountability system of the president, and assessing the heads of business departments, functional departments and branches; authorizing the members of the senior management and the heads of internal functional departments and branches to engage in operating activities, etc.

VIII. Information on Employees and Institutes

(I) Employees

As of the end of 2023, the Group had 15,017 regular employees, among which, the Bank had 14,590 employees and subsidiaries had 427 employees.

Number of regular employees of the Bank

Position Structure

Management	2,938
Business Personnel	8,798
Risk Control	1,039
General Management	1,167
Supporting	648

Age Structure

30 and below	1,803
31-40	6,848
41-50	3,365
Above 51	2,574

Academic Background Structure

Master's degree and above	1,076
Bachelor's degree	10,599
College's degree and below	2,915

Notes: 1. In addition, the Bank had 393 dispatch workers, 350 internally retired employees and 7,340 retired employees;

2. The ratio of male to female employees in the Bank is approximately 1.12:1. The Bank has realized diversity in 2023, with a relatively balanced gender ratio, and there are no other factors and circumstances that are challengeable or irrelevant to the diversity.

(II) Overall Situation of Human Resources Management Work

In 2023, the Bank firmly established the strategic position of talents leading development, adhered to the standards of excellent politics, excellent ability and excellent work style, adhered to taking the purity, professionalism and combat effectiveness of the team as the important support, and strove to forge a loyal, clean, and responsible high-quality professional cadre talent team to provide talent support and intellectual support for promoting the high-quality development of the Bank.

The Bank adhered to the system of “employing or appointing people according to their merits” and improved the mechanism of selecting, cultivating, managing and using cadres. The Bank took in-depth study and implementation of Xi Jinping’s Thought on Socialism with Chinese characteristics in the New Era as the main theme, and implemented the plan to improve the political ability of leading cadres with the focus on “Top Leaders”. The Bank strictly implemented the “20 words” requirements for the leaders of state-owned enterprises, promoted the planning for the construction of cadres’ talent teams, fully conducted team visits and surveys on outstanding young cadres, continuously optimized the team structure of branches and sub-branches and enhanced the overall strength of teams.

The Bank deepened the development of talents and improved the mechanism of attracting talents, cultivating talents and gathering talents. The Bank built a talent development system, and promoted the leading talent plan, the backbone talent plan, the top-notch youth talent plan and the grassroots skilled talent plan. The proportion of financial technology talents was increased to 4.13%, with 1 person included in Jiangbei Outstanding Talents and 20 persons included in Jiangbei Yingcai Taji Talents. The Bank carried out 2,098 employee training projects, with 245,000 participants and 100% training coverage.

The Bank standardized the management of employees, improved the strict and detailed loop mechanism, adhered to the system of “mandatory training” and “mandatory examination” before taking office and implemented the system of training before taking office, holding positions with certificates and position qualification examination for key positions. The Bank optimized the distribution of human resources of outlets, guided employees to flow to the front desk and marketing reasonably, promoted the construction of customer manager team and strove to build a marketing team with iron determination. The Bank promoted the project of improving the quality of all employees, with the proportion of employees with bachelor degree or above increased to 80.02%.

The Bank implemented the salary insurance, improved the service support guarantee mechanism, adhered to the system of “using talents for career, attracting talents through policies, gathering talents through platforms and retaining talents through the environment”, actively trusted talents politically, proactively guided talents ideologically, created conditions for talents in work, and cared for talents in daily life. The Bank improved the salary and welfare system, paid social insurance fees in full according to law, implemented the enterprise annuity and supplementary medical insurance system and promoted employees to have a better sense of achievement, a more sustainable sense of happiness and a more secure sense of security.

(III) Employee Remuneration Policy

The Bank adheres to the principle of linking total salaries to enterprise benefits to determine the unified remuneration level of the Bank. The basic remuneration consists of the basic salary and the position salary, in which the basic salary is determined as different grades according to working years, educational background, etc. to match the corresponding standards, and the position salary is linked to the position level. Employee positions are divided into management, professional technology, handling and operation sequences; for non-management sequences, different salary standards are determined according to different position levels. Performance remuneration is a floating remuneration that reflects the Bank's operating benefits and employees' performance. According to the principle of "give priority to benefits with due consideration to fairness", performance remuneration is linked to the annual operating performance. The Bank fully mobilizes the enthusiasm of employees at all levels by establishing and improving a market-oriented and profit-targeted incentive and restraint mechanism, so as to promote the business development and improve the operating efficiency of the Bank. At the same time, in accordance with regulatory requirements and based on the needs of operation and management, a mechanism for deferred payment, recourse and deduction of performance remuneration has been established. During the Reporting Period, the Company implemented performance remuneration recourse and deduction against 110 employees, with a total amount of RMB881,200.

(IV) Training Plan

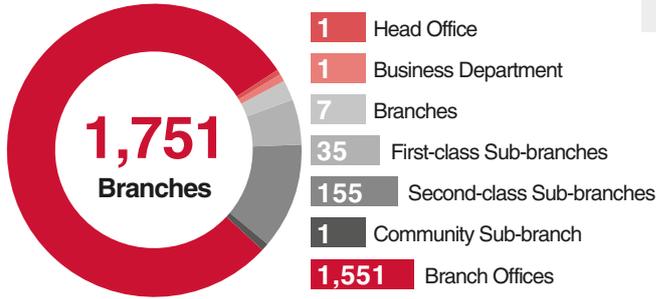
The Bank took in-depth study and implementation of Xi Jinping's Thought on Socialism with Chinese characteristics in the New Era as the main theme, strived to build a curriculum system of "Party's theoretical education + Party spirit education + duty performance ability training + knowledge training", made every effort to optimize the training mode of "on-site explanation + observation experience + case analysis + activity exchange", made great efforts to create a training process of "theoretical study + discussion exchange + investigation and study + problem solution + promotion work", further improved the whole chain training mechanism of ideological tempering, political experience, practical exercise and professional training, and continuously promoted the systematization of education and training contents, systematizing of courses, diversification of methods and institutionalization of management, with the coverage of employee training reaching 100%.

(V) The Distribution of Branches

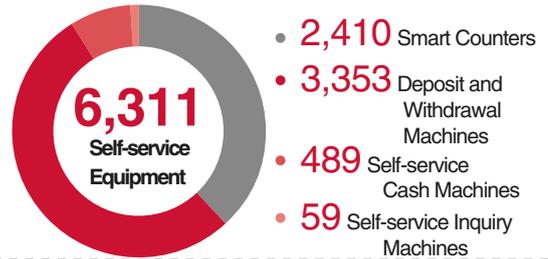
Operating outlets are the primary distribution channels of the Bank. By the end of 2023, the Bank had 1,751 branches, including the Head Office and the business department, 7 branches, 35 first-class sub-branches, 155 second-class sub-branches, 1 community sub-branch, and 1,551 branch offices. Among which, Yunnan Qujing Branch is the first off-site branch of a rural commercial bank in China. The network of sub-branches covers all the 38 administrative districts and counties with 1,445 distribution outlets in the county area of Chongqing and 304 outlets in the city's urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency.

In order to expand the scope of customer services and provide customers with more convenient services, by the end of 2023, the Bank established 122 24-hour self-service banking centers with 6,311 self-service equipment (including: 2,410 smart counters, 3,353 deposit and withdrawal machines, 489 self-service cash machines, and 59 self-service inquiry machines), and the proportion of machine to outlet was 3.6:1. The Bank continued to deepen the basic financial services in rural areas, increased the support for rural revitalization. 428 convenient rural financial service centers had been established and put into use. The Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public.

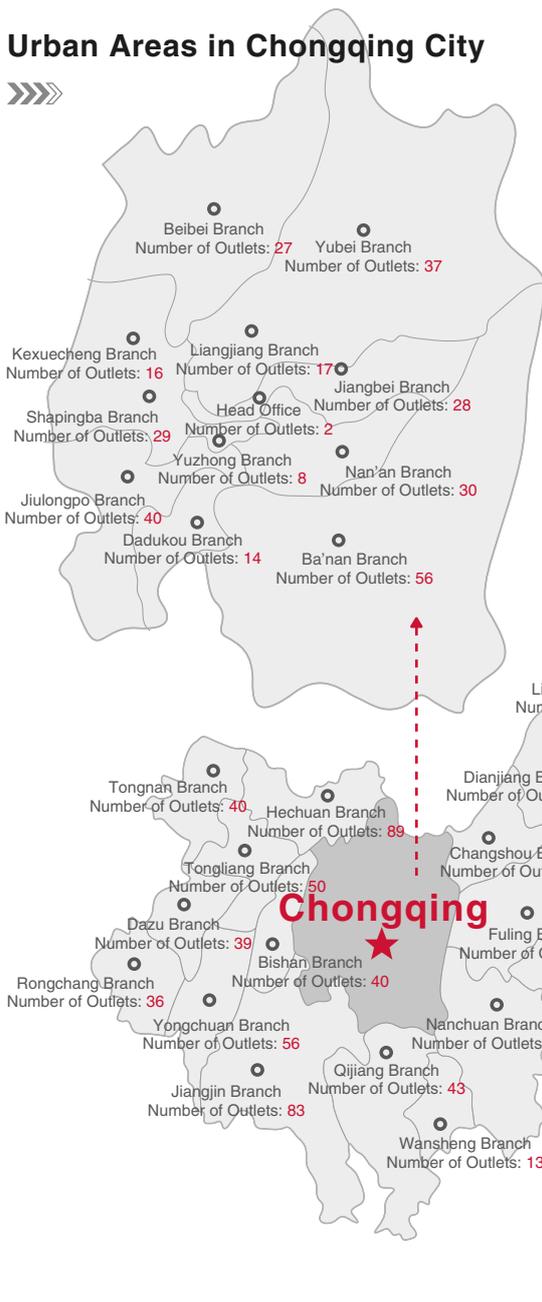
Distribution of Branches



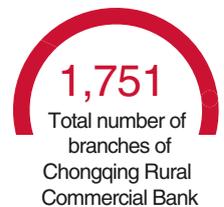
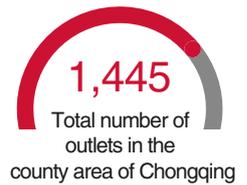
The Bank established **122** 24-hour self-service banking centers



Urban Areas in Chongqing City



The network of sub-branches covers all the **38** administrative districts and counties in Chongqing



Corporate Governance Report

Name	Address	Number of Outlet	Number of staff	Assets Size (RMB100 million)
Head Office	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,709	3,490.25
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	145	185.76
Dadukou Branch	1-3, 1-4-1-1, Block 1; 1-4-1-2, 1-4-2-2, Block 1, 11 Tianchenhuatu, Chunhui Road Street, Dadukou District, Chongqing City	14	159	127.51
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	28	296	281.43
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyangong Bridge, Shapingba District, Chongqing City	29	293	263.57
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	40	317	317.47
Kexuecheng Branch	No. 28, Xiyong Avenue, High-tech Zone, Chongqing City	16	142	172.24
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	326	252.26
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	265	248.99
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	37	309	256.31
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	17	235	274.30
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	375	341.28
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	126	82.21
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	75	452	332.18
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	47	327	248.64
Jiangjin Branch	Annex 6, 7, No. 183, Xijiang Avenue, Shengquan Street, Jiangjin District, Chongqing City	83	494	489.91
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	578	543.24
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	360	305.58
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	285	183.91
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	309	214.74
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City	40	267	192.50
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City	50	349	249.68
Dazu Branch	Annex 1, No. 227 Middle Section of Wuxing Avenue, Tangxiang Street, Dazu District, Chongqing City	39	290	208.55
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street, Rongchang District, Chongqing City	36	274	202.35
Bishan Branch	No. 4 Bitong Road, Bicheng Street, Bishan District, Chongqing City	40	320	255.70
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	94	640	538.35
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City	45	346	271.30
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	163	77.18
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City	47	323	250.33
Dianjiang Branch	No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City	47	310	214.92
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	381	261.67
Kaizhou Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City	63	467	473.77
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing City	68	447	340.49
Fengjie Branch	No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City	46	336	227.08
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	242	128.40
Wuxi Branch	Unit 1-1, No. 7 Yanghe Garden, No. 25 Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	270	141.63
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	35	276	126.65
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City	34	268	152.39
Shizhu Branch	Annex 6, No. 10 Wanshou Avenue, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City	33	219	157.17
Xiushan Branch	No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	247	136.61
Youyang Branch	No. 6, Middle Section of Taohuayuan Avenue, Taohuayuan Street, Youyang Tujia and Miao Autonomous County, Chongqing City	46	294	181.35
Pengshui Branch	Annex 4, No. 2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	305	160.49
Qujing Branch	No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province	2	54	53.50
Total		1,751	14,590	13,613.86

IX. Profit and Dividends

(I) Formulation and implementation of the cash dividend policy

According to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., the Bank may distribute dividend in the form of cash, share, or a combination of cash and share. The profit distribution policy of the Bank shall be focused on generating reasonable return for investors. The profit distribution policy shall maintain its continuity and stability and, meanwhile, give consideration to the long-term interests of the Bank, the interests of the shareholders as a whole and the sustainable development of the Bank. Cash shall be the main form of dividend distributed by the Bank. If required under the regulatory requirements of the securities regulatory authorities at the places where the shares of the Bank are listed, the Bank shall provide online voting platform when the profit distribution plan is considered and deliberated. Except under special circumstances, the Bank shall distribute profit to shareholders of ordinary shares in the form of cash every year with an aggregate amount not less than 10% of the net profit attributed to shareholders of the Bank.

During the Reporting Period, the Bank's profit distribution plan for 2022 was strictly implemented in accordance with the relevant provisions of the Articles of Association of the Bank, and the standard and proportion for dividend distribution were clear and distinct. According to the resolution passed at the 2022 Annual General Meeting of the Bank held on 25 May 2023, a cash dividend of RMB0.2714 per Share (tax inclusive) for 2022 will be distributed to all shareholders with a total of RMB3.082 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion Shares. Specifically: cash dividend of RMB2.4 billion (tax inclusive) will be distributed for A Shares on 29 June 2023; cash dividend of RMB682 million (tax inclusive) will be distributed for H shares in HKD on 29 June 2023.

The Bank's profit distribution plan for 2023 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of the Bank and will be submitted to the Bank's 2023 annual general meeting for consideration upon consideration and approval by the Bank's Board of Directors. The independent directors of the Bank have issued independent opinions on the profit distribution plans for 2022 and 2023, and the Bank has fully protected the legitimate rights and interests of small and medium-sized investors during the process of equity distribution plans and implementation of plans.

(II) 2023 Profit Distribution Plan

On the basis of the audited after tax profit of the Bank for 2023 in the amount of RMB9,804 million, 10% of such profit (being RMB980 million) was appropriated for statutory surplus reserve. On the basis of the remaining amount of risk assets, RMB1,073 million was provided for the general risk reserve. The Board of Directors recommended a distribution of cash dividends in an aggregate amount of RMB3,276 million (tax inclusive) for 2023 to all the Shareholders at a par value of RMB2.885 per 10 shares (tax inclusive), and the remaining profit after tax will be transferred to unappropriated profit. The Bank shall make further announcement(s) in respect to the book closure date, record date and payment date of such dividend distribution plan. Such proposed dividends will be denominated in RMB. Dividends payable to holders of A shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration (including first date) of such dividends at the 2023 annual general meeting of the Bank as announced by the PBOC.

(III) Profit distribution in the past three years

The profit distribution of the Bank in the past three years is as follows:

RMB: in million	2023	2022	2021
Cash dividends	3,276	3,082	2,868
As a percentage of profit for the year	29.45%	29.42%	29.51%
As a percentage of net profit attributable to ordinary shareholders	30.05%	30.00%	30.00%

Note: The profit distribution plan for 2023 shall be subject to the consideration and approval at the 2023 annual general meeting.

X. Incentive Measures

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

XI. Risk Management and Internal Control

The Bank formulated the Outline of Internal Control Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行內部控制管理大綱》) and Basic System of Risk Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行風險管理基本制度》). With a sound organizational structure and clear levels of responsibilities and reporting procedures, the Bank has established a risk management and internal control framework. Among them, the Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management and internal control system. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board of Directors and senior management. The senior management is responsible for the ordinary operation of risk management and internal control of the Bank. In addition, the Board of Directors established committees, such as Audit Committee, Risk Management Committee and Related Party Transaction Supervision Committee to assist the Board of Directors in performing its supervisory and corporate governance duties, covering the Group's compliance management, risk management, internal control, financial resources and internal audit functions.

During the Reporting Period, the Bank carried out the construction, supervision and evaluation of internal control system, the activity of “Year of Establishing and Strengthening the Compliance System”, case risk investigation, employee abnormal behavior investigation, consumer protection special inspection, etc. according to the regulatory requirements and in combination with the Bank's actual situation, continuously improving the duty performance capabilities and effect of lines, continuously enhancing employees' compliance awareness, and further improving the compliance of business development and the effectiveness of internal control management.

During the Reporting Period, the Bank evaluated the internal control status of the whole bank in 2023, and no major defects were found in the internal control of the Bank after review by the Board of Directors of the Bank. For details, please refer to the 2023 Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. published on the websites of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange and the 2023 Internal Control Audit Report of Chongqing Rural Commercial Bank Co., Ltd. issued by KPMG Huazhen LLP with standard unqualified opinion.

The Bank has established a risk management system of “comprehensive, full-service, all-staff” to achieve full coverage management of all kinds of risks, all kinds of institutions and all kinds of product risks, and regularly conducts comprehensive evaluations on the risk management at the group level, the contents of which include the construction of risk management system, implementation of risk preference and limit, capital management, stress test, emergency response mechanism, consolidated management, credit/liquidity/market/operational risk/information technology risk/reputation risk/money laundering risk, etc., as well as information system and data quality, covering the management situation, development trend and next step plan, etc. The evaluation results shall be reported to the senior management and the Board of Directors of the Bank. Please refer to the “Chapter 3 Management Discussion and Analysis – VIII. Risk Management” of this report for information about the Group’s risk management in 2023.

During the Reporting Period, the Board of Directors of the Bank have completed overall assessment on the effectiveness of the risk management systems of the Bank for 2022 and the first half year of 2023. The Board of Directors believes that, the overall operation of the Bank’s risk management and internal control systems is sufficient and effective. No major issues should be especially concerned with during the year.

XII. Chairman and President

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In 2023, Mr. Xie Wenhui served as the chairman of the Bank, and Mr. Xie Wenhui and Mr. Sui Jun successively served as the president of the Bank. Although the above arrangement temporarily deviated from the requirement of the above code provision, the Bank has complied with the requirement of the above code provision since April 2023. The Board of Directors of the Bank is the decision-making organ, and the senior management is the executive organ, the main body of governance featured clear responsibilities, and all major events are decided by collective decision-making at relevant meetings. Meanwhile, the duties of the chairman and the president of the Bank are clearly defined. The chairman is responsible for leading the Board of Directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner. The president is responsible for the operation and management of the Bank and discharges his duties in accordance with the Articles of Association and the authorization of the Board of Directors. The Board of Directors and senior management of the Bank assumed their respective positions and fulfilled their respective responsibilities, and the Group operated in an orderly and efficient manner. Therefore, the Bank considers that the above arrangements will not affect the balance of rights among the governance entities of the Bank and can ensure the effective operation of the Bank under a sound corporate governance structure.

XIII. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors and supervisors, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix C3 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2023.

XIV. External Auditors’ and Auditors’ Remuneration

Pursuant to the requirement of the Ministry of Finance of the PRC regarding the term of service for an auditing firm, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers shall cease to be the external auditors of the Bank since the date of the 2021 annual general meeting of the Bank due to attainment of the required maximum term of service. As considered and approved by the 2021 annual general meeting of the Bank, the Bank appointed KPMG Huazhen LLP and KPMG as external auditors of the Bank of 2022. As considered and approved by the 2022 annual general meeting of the Bank, the Bank re-appointed KPMG Huazhen LLP and KPMG as external auditors of the Bank for 2023. The Bank’s 2023 financial statements prepared by the Bank in accordance with the Chinese Accounting Standards and internal control in 2023 have been audited by KPMG Huazhen LLP, and signed by certified public accountants Xue Chenjun and Wang Weishun. The 2023 financial statements prepared in accordance with the International Financial Reporting Standards have been audited by KPMG, and signed by accountant Chan Siu Tung, Thomas. KPMG Huazhen LLP and KPMG served as the external auditors of the Bank for the second consecutive year. Xue Chenjun and Chan Siu Tung, Thomas acted in the capacity of undersigning accountants of the Bank for the second consecutive year and Wang Weishun acted in the capacity of undersigning accountant of the Bank for the first year. Save as disclosed above, the Bank has not changed its auditors in the last three years.

The remuneration for the auditors of 2023 amounted to RMB5.769 million (tax inclusive), including internal control audit expenses of RMB650,000.

XV. Company Secretary

During the Reporting Period, the Bank appointed Mr. Leung Chi Kit of TMF Hong Kong Limited, an external service provider, as the company secretary of the Bank. Mr. Leung Chi Kit complied with the requirements under Rule 3.29 of the Hong Kong Listing Rules by receiving relevant professional training for not less than 15 hours during the Reporting Period. On 9 January 2024, the Bank appointed Ms. Leung Wing Han Sharon of Tricor Services Limited, an external service provider, as the company secretary of the Bank to take the place of Mr. Leung Chi Kit, which took effect from 9 January 2024.

Mr. Zhang Peizong (Secretary to the Board of the Bank) was the chief contact person for the external company secretary.

XVI. Rights of Shareholders

(I) Rights of shareholders to request the convening of an extraordinary general meeting

Upon the requisition in writing of shareholders, individually or jointly, holding more than 10% of the Bank's issued shares carrying the voting rights, the Bank shall convene an extraordinary general meeting within 2 months.

The Board of Directors shall make a written feedback within ten days from the date of receiving the request. Where the Board agrees to convene the meeting, it shall issue a notice regarding the convening within five days from the date of the resolution concerned. Where the Board disagrees with the convening, or makes no feedback, the Shareholders who propose to convene the meeting shall make a written request to the Board of Supervisors. Where the Board of Supervisors agrees with the convening, it shall release a notice regarding the convening within five days from the date of receiving the request. Where Board of Supervisors fails to issue such a notice, the shareholders individually or jointly having more than 10 percent of the Bank's shares carrying the voting rights for more than 90 consecutive days may convene and preside over an extraordinary general meeting.

(II) Rights of shareholders to make provisional proposals for the general meeting

As for the general meeting in the Bank, the shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, shall all have the right to present new proposals in writing to the Bank, and the Bank shall place into the agenda of the meeting the matters in such proposals falling within the functions of the general meeting.

The shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, may make written provisional proposals to the Bank ten days before the meeting, and submit such proposals to the convener. The convener shall, within two days after receiving such proposals, issue a supplementary notice to the general meeting, stating such provisional proposals.

(III) Shareholder's inquiry right

After a shareholder provides the Bank with written documents certifying the class and number of shares of the Bank he/she held and verifying his/her identity, he/she shall have the right to inspect the relevant information of the Bank in accordance with the Articles of Association of the Bank, including the Articles of Association, the minutes or resolutions of the general meeting, the resolutions of the Board of Directors, the resolutions of the Board of Supervisors, and the periodic reports announced by the Bank.

XVII. Information Disclosure and Investor Relations

(I) Information Disclosure

During the Reporting Period, the Bank strictly complied with relevant laws and regulations on information disclosure, and earnestly performed its obligation of information disclosure. The Bank continued to standardize the information disclosure acts of the Bank and relevant information disclosure obligors to ensure that information disclosure was true, accurate, complete and timely, and operated in accordance with the law, effectively safeguarding the legitimate rights and interests of the Bank, investors and other stakeholders.

At the same time, the Bank formulated the Management Measures for Registration of Insiders of Inside Information, and strictly implemented the management of confidentiality and registration of insiders of inside information according to such Measures. During the Reporting Period, no insider was found to use insider information to buy or sell the shares of the Bank.

(II) Investor Relations

The Bank strictly complied with relevant requirements of the “Shareholder Communication Policy” of the Hong Kong Listing Rules and formulated the shareholder communication policy of the Bank. During the Reporting Period, the Bank communicated with investors many times about the Bank’s development strategy, business situation, financial conditions and other matters through performance briefing, analyst meeting, acceptance of investor research, SSE e-interaction, IR email, investor hotline, etc., keeping good information transparency and effectively meeting the communication needs of domestic and foreign investors. Based on the above, during the Reporting Period, the Bank has reviewed the implementation of the shareholder communication policy and considered such policy was effective.

(III) Amendments to the Articles of Association

On 16 September 2022, the resolution in relation to the proposed amendments to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd. was considered and approved at the 2022 second extraordinary general meeting. The general meeting authorized the Board to adjust the content of the Articles of Association correspondingly in accordance with the opinions from or requirements of the regulatory authorities, the stock exchanges where the Bank’s share are listed and relevant departments. The Board authorized the senior management to deal with the approval of the amendments to the Articles of Association and the filing with the market supervision authorities and other matters. On 30 March 2023, the Board of the Bank made further minor amendments to the Articles of Association in accordance with the feedback from the regulatory authorities and upon authorization and approval at the general meeting. For details, please refer to the announcements of the Bank dated 30 March 2023 and 3 November 2023. Such amendments were effective upon approval by the Chongqing Bureau of National Administration of Financial Regulation on 31 October 2023.

(IV) Shareholders' Enquiries

Any enquiries related to the shareholding, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

A Shares:

Shanghai branch of China Securities Depository and Clearing Company Limited
No.188, Yanggao South Road, Pudong New District, Shanghai, China
Tel: (86) 4008058058 (customer service center)

H Shares:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

(V) Investor Relations Contact Information

Shareholders and investors may send enquiries to the Board of Directors to the following:

Office of the Board of Directors of the Bank
Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (86) 23-6111 0637
Facsimile: (86) 23-6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:
5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong

This report is available on the website of the Bank (www.cqrcb.com), the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of Shanghai Stock Exchange (www.sse.com.cn).

XVIII. Other Information

The Bank holds a financial license number B0335H250000001 approved by the regulatory authority of the banking industry, and was authorized by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong 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 deposit-taking business in Hong Kong.

Environmental and Social Responsibilities

The Bank and its subsidiaries are not the key pollutant discharge units announced by the environmental protection department, and there was no environmental violation information during the Reporting Period. For details of the performance of social responsibilities of the Bank, please refer to the 2023 Report on Corporate Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd. published on the website of the Bank, the HKEXnews website of the Hong Kong Stock Exchange and the website of Shanghai Stock Exchange.

I. Developing Green Finance

The Bank actively transmitted the concept of energy conservation and environmental protection, carried out green environmental protection public welfare activities, implemented energy conservation and emission reduction measures, and created a green “paperless” office environment, helping Chongqing to speed up the construction of a “beautiful place with beautiful scenery”. The Bank continued to increase its efforts on green credit placement, strengthened cooperation with frontier institutions in the field of green development, continuously optimized the green financial service model, promoted the deep integration of developing green finance with serving local economic construction and social and people’s livelihood and strove to become a benchmark bank of green finance.

The multi-point marketing effect of green projects emerged gradually. As of the end of 2023, the Bank’s green credit balance was RMB61.98 billion, representing a net increase of RMB13.27 billion or 27.2% as compared to the end of the previous year, which were mainly invested in clean energy, rail transit, new energy vehicle, water resources treatment and other projects. The Bank was selected into the financial institutions for carbon emission reduction support tools of the People’s Bank of China, and declared over RMB1.2 billion for carbon emission reduction support tools, driving carbon emission reduction to over 1.35 million tons. The Bank handled the first high-tech and “specialized, refined, differential, and innovative” carbon emission quota pledge cross-border financing business in Chongqing, and further leveraged the financing function of carbon assets.

The Bank basically established a service system for green finance. The Bank continued to innovate green credit products, completed the operation of the system for the clean and renewable energy income loan and the green electricity loan, and launched credit products such as solid waste loan and carbon quota mortgage (pledge) loan, thus broadening corporate financing channels. The Bank enriched green consumer products, issued green credit cards, and launched green car preferential installment activities. The Bank built an integrated green financial service system covering green credit, green bonds, leasing, wealth management, consumption, investment and other products.

II. Promoting Rural Revitalization

In 2023, the Bank conscientiously implemented various decision-making arrangements of the CPC Central Committee, the State Council, the municipal party committee and the municipal government to comprehensively promote rural revitalization. The Bank focused on serving the main business of Sannong, strengthened the leadership of party building, deepened mechanism construction, implemented innovation-driven development, and fully supported the comprehensive promotion of rural revitalization and accelerated the building of a strong agricultural country.

Raised the political height and built a solid guarantee for rural revitalization organizations. The Bank adhered to and strengthened the Party's overall leadership over rural work, deepened the service mechanisms such as leading group, fixed-point contact and special class promotion, and built a "horizontal-to-edge, vertical-to-end" responsibility network and service network. The Bank thoroughly studied and implemented important remarks on the work of "Sannong" made by Chinese President Xi Jinping and carried out various activities such as theoretical study and on-site practice, making every endeavour to support farming industry. The Bank prepared an assessment solution for rural revitalization, established a horse racing competition mechanism of "Party Committee Evaluation + Performance Appraisal", implemented a grid service of "Party Building + Finance", stimulated endogenous motivation, and promoted financial services by fixing grid units, fixing responsibilities and fixing the number of personnel. As of the end of 2023, the balance of the Group's agricultural loans was RMB232.800 billion, representing an increase of RMB17.175 billion as compared to the beginning of the year.

Expanded the depth of helping agriculture and consolidated and expanded the achievements of poverty alleviation. At the beginning of the year, the Bank introduced agricultural support policies such as the guiding opinions on rural revitalization and the work plan on granting micro-credit for poverty-stricken people in 2023, deployed and arranged financial support to consolidate the achievements of poverty alleviation, and insisted on making efforts forward and accurately. "Yukuai Assistance Agricultural Loan" achieved full coverage of agriculture-related districts and counties, and the Bank signed business cooperation agreements with 38 agriculture-related districts and counties in Chongqing. The Bank continued to increase the micro-credit for poverty-stricken people, and achieved the "Four Firsts in Chongqing" in the accumulated loans over the years, the accumulated loans in the current year, the net increase of loans in the current year and the balance of outstanding loans.

Improved service accuracy and promoted the development and growth of rural industries. Focusing on the "Four Thousand Actions" of Chongqing and the "One Main and Two Auxiliaries" industrial development planning of districts and counties, the Bank has built 80 township-level rural revitalization characteristic institutions to provide professional and characteristic financial services for local industries. The Bank continued to build the brand of "Yukuai Village Loan" for farmers. In 2023, the Bank launched new special credit products such as "Wuxi Potato Loan", "Dazu Black Goat Loan" and "Kaizhou Sausage Loan", forming a credit product system with different industries and levels. As of the end of 2023, the Bank had more than 20 special industrial credit products to meet the differentiated financial needs of "local special products".

Environmental and Social Responsibilities

Accelerated the pace of innovation and strengthened science and technology to empower rural revitalization. The Bank built a digital financial service platform for rural revitalization, promoted the construction of rural credit system, and used financial technology to empower farmers and other agricultural subjects to accurately depict portraits and actively grant credit. The Bank launched the “Chongqing Agricultural Economic Management” digital intelligence system, linked to the “Grassroots Intellectual Governance System”, and built an intelligent platform integrating “Three Capital” management, direct connection between banks and farmers and rural civilization points, helping rural collective economic organizations to revitalize their assets and resources and help grassroots digital governance. The Bank promoted the intelligent fiscal and taxation service platform for “Jiangyu Kuaiji”, built four segments of industry, finance, taxation and capital, and provided 18 services including intelligent bookkeeping and quick tax filing to provide “one-stop” fiscal and taxation services for farmers’ cooperatives, small and micro enterprises and other entities.

Enhanced the “warmth” of benefiting farmers and helped farmers increase their income and become rich. Taking advantage of “familiarity with people, places and regions”, the Bank launched the “credit granting for whole village” in 38 agriculture-related districts and counties in Chongqing, so that farmers can complete the whole loan process without leaving the village. As of the end of 2023, the Bank has served over 80% of the administrative villages in Chongqing. The Bank innovated the mode of consumption assistance and caring assistance, strengthened the live broadcast goods-bringing brand of “there are good things in rural areas, and Yukuai helps revitalization”, and made excellent public welfare activities of “agricultural technology going to the countryside”, “health diagnosis and treatment” and “Yukuai village travel” to continuously improve the “warmth” of financial services.

III. Protection of Consumer Rights and Interests

The Bank deepened the background of “finance for the people”, included the protection of financial consumer rights and interests into the corporate governance, the construction of corporate culture and the business development strategy, and solidly implemented the protection of financial consumer rights and interests.

In terms of the construction of systems and mechanisms, the Board of Directors of the Bank bore the ultimate responsibility for protection of consumer rights and interests, and the Consumer Rights and Interests Protection Committee of the Board of Directors was established to hold regular meetings to determine the direction and define the strategy for protection of consumer rights and interests. The Bank established the Leading Group for Consumer Rights and Interests of the senior management, with the Business Department, the Audit Department and other relevant departments as members, and established the Compliance and Consumer Rights Management Department to take the lead in organizing and conducting the protection of consumer rights and interests. In addition, the Bank established and improved mechanisms such as internal assessment of the protection of consumer rights and interests, product and service information disclosure, review of the protection of consumer rights and interests, appropriateness management, traceability of sales behaviors, complaint handling, protection of personal financial information, and management of cooperative organizations to ensure the smooth and effective operation of the protection of financial consumer rights and interests and promote the Bank's legal and compliant operation.

In terms of the handling of consumer complaints, the Bank, based on the principles of convenience, efficiency, objectivity and fairness, continuously optimized the complaint handling process, actively promoted the construction of a diversified work mechanism for resolving consumer complaints, and efficiently handled complaints and disputes through negotiation, reconciliation and mediation. In addition, the Bank held regular complaint analysis meetings, carried out special rectification of complaints, proactively found and solved the root causes of complaints risks, and promoted the traceability and rectification of complaints. In 2023, the Bank accepted a total of 1,615 consumer complaints, mainly involving 13 business categories including RMB savings, loans and bank cards, 6 complaint handling channels including business sites, self-service machines, electronic channels and third-party channels, and 12 complaint reasons including service attitude and quality, business system and facilities, systems and business rules and procedures. 43 branches and sub-branches of the Bank were involved, including 42 branches and sub-branches in Chongqing and 1 branch in Yunnan.

In terms of financial knowledge propaganda and education, the Bank, based on the business outlets, carried out universal financial propaganda and education, and set up financial knowledge education areas in the official website, official WeChat account and mobile banking, forming a "one-point, three-channel" propaganda and education scene. In addition, the Bank, by relying on the propaganda image of "Yu Xiaomei" and focusing on the key groups of "new people, young people and old people", set up "Silver Age School" for the old people, "Helping Class" for new citizens and "Finance and Business Class" for children, actively participated in the thematic publicity activities such as "3.15 Consumer Rights and Interests Protection Education and Publicity Week", "Popularizing Financial Knowledge, Guarding the 'Purse'" and "Financial Consumer Rights and Interests Protection Education and Publicity Month", and launched the "Mine Removal Action" publicity for three consecutive years, covering hundreds of thousands of people and carrying out more than 32,000 publicity sessions on various financial knowledge.

Major Events

I. Performances of Undertakings

During the Reporting Period, the Bank and its Shareholders, directors, supervisors and senior management strictly fulfilled various obligations and responsibilities undertaken in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Co., Ltd. (隆鑫控股有限公司) ¹	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly or indirectly held by the company before the initial public offering of A shares, and the part of those shares held by the company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> 1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of 36 months. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 	29 October 2019	29 October 2019 – 29 April 2025

¹ The 433,221,289 restricted shares of the Bank held by Loncin Holdings Co., Ltd. were judicially transferred by Chongqing No. 5 Intermediate People's Court to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) on 22 December 2022. The transferee, Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) will continue to fulfill the above commitments regarding such transferred shares.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
			<p>2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which were directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p> <p>3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares.</p>		

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the expiry of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings in Chongqing Rural Commercial Bank. The total number of shares of the Chongqing Rural Commercial Bank transferred by me within 5 years from the expiry of the above 3-year lock-up period shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank.	29 October 2019	29 October 2019 – 29 October 2027
Undertakings in relation to the initial public offer	Shareholding reduction	Domestic Shareholders holding over 1% of shares of the Bank ¹	The company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019	29 October 2019 – permanent

¹ Prior to the initial public offering of A Shares of the Bank, domestic Shareholders holding over 1% of shares of the Bank include Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Co., Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Development Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司) and Chongqing Jinyuan Times Shopping Mall Co., Ltd. (重慶金源時代購物廣場有限公司).

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司)	<ol style="list-style-type: none"> The existing main business of the company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank. During the period of the company as a substantial shareholder of Chongqing Rural Commercial Bank, the company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. 	20 September 2019	20 September 2019 – permanent

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
			<p>3. Notwithstanding Articles 1 and 2 above, considering that the company is a wholly state-owned company whose establishment has been approved by Chongqing Municipal People's Government and engaged in comprehensive investment and management of state-owned asset and carries out businesses including financial businesses such as investment in securities companies, banks and insurance companies, and manages relevant financial assets, the company and the enterprises controlled by the company may invest in enterprises engaged in commercial banking business, to the extent authorized by Chongqing Municipal People's Government, in any form permitted by laws and regulations (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect ownership of shares or other interests in other companies or enterprises). As at the date of giving the undertakings, the company invested in Bank of Chongqing Co., Ltd. and held 13.02% of shares of the bank, in addition to investment in Chongqing Rural Commercial Bank Co., Ltd.</p>		

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
			<p>4. The company undertakes to fairly treat the commercial banks in which the company and the enterprises controlled by the company invest, and will not grant or provide to any commercial banks, government approval, authorization, license or business opportunities obtained or possibly obtained by the company and the enterprises controlled by the company for carrying out commercial banking business, or use the status as a major shareholder of Chongqing Rural Commercial Bank or the information obtained with such status, to make any decision or judgment which is adverse to Chongqing Rural Commercial Bank but beneficial to other commercial banks in which the company or the enterprises controlled by the company invest, and will make efforts to avoid the occurrence of such event. In exercising the rights of a shareholder of Chongqing Rural Commercial Bank, the company will act in the best interests of Chongqing Rural Commercial Bank as if the Chongqing Rural Commercial Bank is the sole commercial bank in which the company invests, and the business judgment of the company as a shareholder of Chongqing Rural Commercial Bank to seek the best interests for Chongqing Rural Commercial Bank will not be affected as a result of the investment of the company and the enterprises controlled by the company in other commercial banks.</p>		

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Effective date of undertaking	Duration of undertaking
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5. The company warrants that it will strictly comply with relevant rules and regulations of CSRC and the stock exchange where Chongqing Rural Commercial Bank is listed, the Articles of Association of Chongqing Rural Commercial Bank, measures for management of related party transactions and other corporate management policies, exercise the rights of a shareholder and perform obligations of a shareholder equally with other shareholders, and will not use the status as a major shareholder to seek improper advantage, or damage the legitimate rights and interests of Chongqing Rural Commercial Bank and other shareholders.

II. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

III. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

IV. Material Legal Proceedings and Arbitrations

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Group.

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB7.2447 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

V. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank or its directors, supervisors and senior management was investigated or subject to compulsory measures in accordance with the law, subject to criminal penalties, investigated by the CSRC or subject to administrative penalties, significant administrative penalties by other competent authorities, subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties, subject to disciplinary punishment by the stock exchanges, or subject to compulsory measures by other competent authorities and affecting the performance of their duties.

VI. Integrity

During the Reporting Period, the Bank did not exist the situations neither of refusing the execution of effective court judgments nor unsettling significant due debts.

VII. Material Related Party Transactions

During the Reporting Period, for details of related party transactions of the Bank, please refer to the section headed “Chapter 3 Management Discussion and Analysis – VIII. Risk Management – (X) Related Party Transactions” of this report.

VIII. Material Contracts and their Performance

During the Reporting Period, the Bank did not have any major custody, contracting or leasing of the assets of other companies or other custody, contracting or leasing of the assets of the Bank. The guarantee business is the daily business of the Bank. During the Reporting Period, except for the financial guarantee business within the business scope approved by the regulatory authorities, the Bank had no other major guarantee matters that needed to be disclosed.

IX. Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

X. Others

This report was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital

(I) Table of Changes in Shares

Unit: share

	31 December 2022		Change for the Reporting Period	31 December 2023	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares with selling restrictions	2,953,388,246	26.01	(2,945,798,076)	7,590,170	0.07
1. State-owned shares	-	-	-	-	-
2. Shares held by state-owned legal persons	2,807,392,900	24.72	(2,807,392,900)	0	0.00
3. Shares held by other domestic investors	145,995,346	1.29	(138,405,176)	7,590,170	0.07
Among which: Shares held by domestic non-state-owned legal persons	136,902,811	1.21	(136,902,811)	0	0.00
Shares held by domestic natural persons	9,092,535	0.08	(1,502,365)	7,590,170	0.07
4. Shares held by foreign investors	-	-	-	-	-
II. Tradable shares without selling restrictions	8,403,611,754	73.99	2,945,798,076	11,349,409,830	99.93
1. RMB-denominated ordinary shares	5,890,275,713	51.86	2,945,798,076	8,836,073,789	77.80
2. Domestic listed foreign shares	-	-	-	-	-
3. Overseas listed foreign share	2,513,336,041	22.13	-	2,513,336,041	22.13
4. Others	-	-	-	-	-
III. Total ordinary shares	11,357,000,000	100.00	-	11,357,000,000	100.00

(II) Explanation of Changes in Shares

During the Reporting Period, there was no change in the total share capital of the Bank. The number of shares with selling restrictions decreased by 2,945,798,076 shares and number of shares without selling restrictions increased by 2,945,798,076 shares, which was due to the lawful releasing of 2,944,171,611 shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 4 May 2023 upon the expiration of the 42-month lock-up period and the lawful releasing of 1,626,465 shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 October 2023 upon the expiration of the 48-month lock-up period.

II. Securities Issuance and Listing

(I) Securities Issuance during the Reporting Period

During the Reporting Period, the Bank has not issued new ordinary shares or publicly issue any corporate bonds listed on the stock exchanges.

On 24 April 2023, the Bank issued the “Sannong” special financial bonds of Chongqing Rural Commercial Bank Co., Ltd. for 2023 (first tranche) (the bond referred to as “23 Chongqing Rural Commercial Sannong Bond 01”, bond code: 2321013) through book-building process and filing, with a term of three years. The final issuance scale is RMB2 billion and the coupon rate is 2.90%. The proceeds from the bond will be used to grant agro-related loans, improve the quality and efficiency of rural financial services and support rural revitalization and development.

On 19 September 2023, the Bank issued the financial bonds of Chongqing Rural Commercial Bank Co., Ltd. for 2023 (first tranche) (the bond referred to as “23 Chongqing Rural Commercial Financial Bond 01”, bond code: 212380019) through book-building process and filing, with a term of three years. The final issuance scale is RMB5 billion and the coupon rate is 2.80%. The proceeds from the bond will be used to replenish working capital, so as to enhance operational strength and support the sustained and steady development of the business.

(II) Existing Internal Employee Shares

Existing A shares held by internal employees of the Bank are mainly obtained through the following methods: (1) at the time of the establishment of the Bank, shares obtained by the former 39 districts and counties’ on-the-job full-time employees or short-term contract workers in the business category when participating in the establishment of the Bank as promoters and shareholders; (2) after the establishment of the Bank, the Bank’s shares obtained through agreement transfer, inheritance and judicial judgments. On 30 October 2020, part of the restricted shares of the Bank have been released and issued and traded. It’s unable to accurately verify the shareholdings after trading of the domestic employee shares.

III. Particulars of Shareholders

(I) Total Number of Shareholders

As at the end of the Reporting Period, the total number of shareholders of the Bank was 195,606 holders. Of which, 194,439 was the shareholders of A shares and 1,167 was the shareholders of H shares. As of 29 February 2024 (i.e. the end of the previous month on the publication date of the Bank’s A-share annual report), the total number of shareholders of the Bank was 189,461 holders. Of which, 188,300 was the shareholders of A shares and 1,161 was the shareholders of H shares.

Changes in Shares and Particulars of Shareholders

(II) Shareholdings of the Top Ten Shareholders

1. Particulars of shareholdings of the top ten shareholders

Unit: share

Name of shareholder (Full name)	Particulars of shareholdings of the top ten shareholders						
	Increase/ (Decrease) during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Type of shares	Pledged or frozen		Nature of shareholder
					Condition of shares	Number of shares	
HKSCC Nominees Limited	(5,168,080)	2,501,166,691	22.02	H shares	Unknown		Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	A shares	Nil		State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	A shares	Nil		State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	A shares	Nil		State-owned legal person
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	476,313,625	566,714,256	4.99	A shares	Nil		State-owned legal person
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	0	433,221,289	3.81	A shares	Nil		State-owned legal person
	23,814,000	23,814,000	0.21	H shares			
Hong Kong Securities Clearing Company Limited	123,821,577	382,403,968	3.37	A shares	Unknown		Overseas legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	0	160,000,000	1.41	A shares	Pledged, Frozen	160,000,000	Domestic non-state-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	0	136,778,711	1.20	A shares	Pledged Frozen	127,425,073 136,778,711	Domestic non-state-owned legal person
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	0	125,000,000	1.10	A shares	Nil		State-owned legal person
Statement on specific repurchase accounts of top ten shareholders	Nil						
Statement on aforesaid shareholder's entrusted voting rights, trusted voting rights and abandoned voting rights	Nil						
Statement on the related relations or concerted actions among the shareholders above	HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited and Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) is the person acting-in-concert with Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司).						
Statement on preference shareholders with resumed voting right and their number of shares held	Nil						

Changes in Shares and Particulars of Shareholders

Notes:

- (1) The number of shares held by HKSCC Nominees Limited refers to the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period, which includes the H shares of the Bank held by Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) as set out in the above table.
- (2) The number of shares held by Hong Kong Securities Clearing Company Limited represents the number of A Shares of the Bank (northbound shares under Shanghai-Hong Kong Stock Connect) held by it as a nominee designated by and on behalf of investors from Hong Kong and overseas.
- (3) The shares held by above shareholders are shares without selling restrictions.
- (4) The Bank's shareholders holding more than 5% of the shares of the Bank, the top ten shareholders and top ten shareholders without selling restrictions did not participate in securities margin trading and refinancing business during the Reporting Period.

Changes in Shares and Particulars of Shareholders

2. Number of shares held by and selling restriction of the top ten shareholders with selling restrictions

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		
			Time available for trading	Additional number of approved tradable shares	Selling restrictions
1	Zhang Li	184,660	Release in batches: October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares;	39,570	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
2	Chen Kaiming	164,780	Release in batches: October 2024: 35,310 shares; October 2025: 11,770 shares; October 2027: 117,700 shares;	35,310	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
3	Xu Min	109,410	Release in batches: October 2024: 23,445 shares; October 2025: 7,815 shares; October 2027: 78,150 shares;	23,445	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
4	Zhu Jingmei	96,250	Release in batches: October 2024: 20,625 shares; October 2025: 6,875 shares; October 2027: 68,750 shares;	20,625	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
5	Wang Shaoji	92,540	Release in batches: October 2024: 19,830 shares; October 2025: 6,610 shares; October 2027: 66,100 shares;	19,830	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
6	Luo Jing	91,910	Release in batches: October 2024: 19,695 shares; October 2025: 6,565 shares; October 2027: 65,650 shares;	19,695	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
7	Xu Xiaohong	87,500	Release in batches: October 2024: 18,750 shares; October 2025: 6,250 shares; October 2027: 62,500 shares;	18,750	60 months, 72 months and 96 months from the date of the Bank's listing, respectively

Changes in Shares and Particulars of Shareholders

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		Selling restrictions
			Time available for trading	Additional number of approved tradable shares	
8	Zeng Lifeng	84,000	Release in batches: October 2024: 18,000 shares; October 2025: 6,000 shares; October 2027: 60,000 shares;	18,000	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
9	Yang Hongkun	79,660	Release in batches: October 2024: 17,070 shares; October 2025: 5,690 shares; October 2027: 56,900 shares;	17,070	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
10	Liang Shuang	78,750	Release in batches: October 2024: 16,875 shares; October 2025: 5,625 shares; October 2027: 56,250 shares;	16,875	60 months, 72 months and 96 months from the date of the Bank's listing, respectively
	Statement on the related relations or concerted actions among the shareholders above		Not aware of related relations or concerted actions existing among the shareholders above		

(III) Explanation of the Absence of Controlling Shareholders and Actual Controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact to resolutions approved on general meetings, no controlling shareholder of the Bank existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) was established in February 2004 with a registered capital of RMB10 billion. It is a state-owned assets operation company organized under the approval of Chongqing Municipal Government and mainly engaged in the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets under the authority of the municipal government.

As at the end of the Reporting Period, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) held 988,000,000 A shares of the Bank, representing 8.70% of the total share capital of the Bank, and its related party Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司) held 13,246,000 H shares of the Bank. Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司) and Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), all being the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), respectively held 10,000,000 A shares, 15,000,454 A shares and 2,000,000 A shares of the Bank, respectively. Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and above related parties jointly hold 1,028,246,454 shares of the Bank, accounting for 9.05% of the total share capital of the Bank collectively.

Note: In order to deepen the reform of state-owned enterprises, on 31 August 2023, Chongqing SASAC decided to transfer its 80% equity interest in Chongqing Water & Environment Holdings Group Ltd. (重慶水務環境控股集團有限公司) to Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) at nil consideration. Upon the transfer, Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), a shareholder of the Bank became a related party of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司). Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties jointly hold 1,153,246,454 shares of the Bank, accounting for 10.15% of the total share capital of the Bank collectively. As at the date of this report, the transfer matter at nil consideration was subject to the completion of the relevant transfer registration procedures.

Changes in Shares and Particulars of Shareholders

- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) was established in February 1993 with a registered capital of RMB20 billion. It is a large investment group with city infrastructure constructions as its major business, covering real estates, financial equity, intelligent traffic, medical and health service, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.

As at the end of the Reporting Period, Chongqing City Construction Investment (Group) Company Co., Ltd. (重慶市城市建設投資(集團)有限公司) held 797,087,430 A shares of the Bank, representing 7.02% of the total share capital of the Bank, and its related party Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) held 30,000,000 A shares of the Bank. Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related party jointly hold 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital of the Bank collectively.

- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)) was established in December 2002 with a registered capital of RMB5.287 billion. It is a wholly-owned controlling subsidiary of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司). It implemented a two-wheel drive strategy of “asset management + equity investment” and was engaged in commercial asset investment and operation management, as well as financial equity investment.

Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) was established in August 2018 with a registered capital of RMB20 billion. It is a solely state-owned enterprise established under the approval of the municipal government. The company takes it as its responsibility to coordinate the proper use of capital and assets resources, fill the shortcomings of major infrastructure, promote the optimal layout of emerging formats and serve the economic and social development strategy, carry out the investment and financing, industrial cultivation, equity operation, capital operation, value management, etc.

As at the end of the Reporting Period, Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) held 589,084,181 A shares of the Bank, representing 5.19% of the total share capital of the Bank, and its related party Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) held 433,221,289 A shares and 23,814,000 H shares of the Bank, collectively representing 4.02% of the total share capital of the Bank. Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and its related party jointly hold 1,046,119,470 shares of the Bank, accounting for 9.21% of the total share capital of the Bank collectively.

Changes in Shares and Particulars of Shareholders

2. Other major shareholders under regulations

- (1) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established in November 1987 with a registered capital of RMB3,896 million. It is an A-share listed company. Its business segments include: jewellery and fashion, business management, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

As at the end of the Reporting Period, Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) held 150,549,000 H shares of the Bank, representing 1.33% of the total share capital of the Bank, and its related parties Fosun International Limited, Fidelidade-Companhia de Seguros, S.A., Shanghai Fosun High Technology (Group) Co., Ltd., Peak Reinsurance Company Limited, Foson Hani Securities Limited, Hong Kong Xinmao Investment Co., Limited (香港鑫茂投資有限公司) and Hainan Mining Co., Ltd. held 190,170,000 H shares of the Bank in total. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties jointly hold 340,719,000 H shares of the Bank, accounting for 3.00% of the total share capital of the Bank collectively. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties are major shareholders of the Bank who have assigned a director to the Bank.

Note: Ms. Gu Xiaoxu, a director assigned by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司), ceased to be a director of the Bank with effect from January 2024.

- (2) Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司), formerly known as “Xiamen Gaoxinhong Equity Investment Co., Ltd.” (廈門市高鑫泓股權投資有限公司), was established in May 2001 with a registered capital of RMB0.1 billion, and is engaged in private fund equity investment, investment management, asset management and other activities.

As at the end of the Reporting Period, Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司) held 111,150,000 A shares of the Bank, representing 0.98% of the total share capital of the Bank. Xiamen Huishanghong Equity Investment Co., Ltd. is a major shareholder of the Bank who has assigned a supervisor to the Bank.

Changes in Shares and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing SASAC	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing SASAC	Chongqing SASAC	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Chongqing SASAC	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Chongqing SASAC	Chongqing SASAC	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	Xiamen Huishangcheng Trade Co., Ltd. (廈門匯尚成貿易有限公司)	Zhou Yongwei, Zhou Shaoxing and Zhou Shaoming	Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海複星高科技(集團)有限公司)	Guo Guangchang	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)

Note: As at the end of the Reporting Period, there were no major shareholders holding 10% or more of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

Changes in Shares and Particulars of Shareholders

(V) Substantial Interests and Short Positions

As at the end of the Reporting Period, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the Securities and Futures Ordinance:

A Shares

Unit: share

Name of shareholder	Capacity	Number of shares held	Percentage of the A shares (%)	Percentage of the total share capital of the Bank (%)
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	Beneficial Owner	566,714,256	6.41	4.99
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Beneficial Owner	433,221,289	4.90	3.81

Changes in Shares and Particulars of Shareholders

H Shares

Unit: share

Name of shareholder	Capacity	Number of shares held ⁽³⁾	Percentage of the H shares (%)	Percentage of the total share capital of the Bank (%)
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Guo Guangchang ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) ⁽²⁾	Beneficial Owner	150,549,000 (L)	5.99	1.33

Notes:

- (1) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (2) According to Notice of Disclosure of Corporate Substantial Shareholders' Interests filed by Guo Guangchang, Fosun International Holdings Ltd. and Fosun International Limited on 13 October 2020, the long position of 340,719,000 H shares of the Bank that they are deemed to hold, compose of a long position of 150,549,000 H shares of the Bank directly held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司). Fosun International Limited holds 100% equity interests in Shanghai Fosun High Technology (Group) Co., Ltd. and Shanghai Fosun High Technology (Group) Co., Ltd. directly and indirectly (through its subsidiary) holds 68.59% equity interests in Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) in total, therefore, Guo Guangchang, Fosun International Holdings Ltd., Fosun Holdings Limited and Fosun International Limited are all deemed to be interested in a long position in 150,549,000 H shares of the Bank held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司).
- (3) (L) – Long position.

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2023.

I. Principal Activities

The Group is principally engaged in a range of banking services and related financial services in mainland China.

II. Annual General Meeting and Closure of Register of Transfer of H Shares

The annual general meeting of the Bank for 2023 will be held on Tuesday, 28 May 2024. In order to determine the holders of shares who are eligible to attend and vote at the annual general meeting, the register of transfers of H shares of the Bank will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both days inclusive. For holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2023, all transfer documents and the relevant share certificates must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 May 2024.

III. Financial Information

(I) Summary of Financial Information

Please refer to the section headed "Chapter 2 Financial Summary" of this report for the summary of the operating results, assets and liabilities of the Group for the latest five years.

(II) Reserves

Please refer to the section headed "Statement of Financial Position and Movement of Reserves" of this report for details of the movements in the reserves available for distribution to shareholders of the Group during the Reporting Period.

(III) Donations

In 2023, the Bank dominated a total of RMB4.9 million in two donations. In particular, the Bank donated RMB100,000 to Chongqing Welfare Foundation for the Physically and Mentally Challenged (重慶市殘疾人福利基金會) in September, which was used in the "Hearing Love and Happiness (人間有愛、聽見幸福)" integrated service activity for hearing-impaired children. In October, the Bank donated RMB4.8 million to Huatian Township, Youyang County, Chongqing to support rural revitalization in Youyang County.

(IV) Property and Equipment

Please refer to the section of “Notes to the Consolidated Financial Statements – IV. Notes to the Consolidated Financial Statements – 19. Property and Equipment” of this report for details of movements in the property and equipment of the Group during the Reporting Period.

(V) Retirement Benefits

Please refer to the section of “Notes to the Consolidated Financial Statements – IV. Notes to the Consolidated Financial Statements – 31. Accrued Staff Costs” of this report for details of the retirement benefits provided to employees of the Group.

(VI) Ultimate Parent Company and Subsidiaries

As of the end of the Reporting Period, the Bank did not have any ultimate parent companies. For details of subsidiaries, please refer to the “Notes to the Consolidated Financial Statements – IV. Notes to the Consolidated Financial Statements – 18. Investments in Subsidiaries, Associates and Structured Entities” of this report.

IV. Shares and Shareholders

(I) Purchase, Sale and Redemption of Securities

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares and bonds of the Bank during the Reporting Period.

(II) Pre-emptive Rights

Neither the Articles of Association of the Bank nor the relevant PRC laws have such provisions under which the Bank’s shareholders have pre-emptive rights. In accordance with the provisions of the Articles of Association of the Bank, the Bank may increase its capital in the following ways: issue new shares to non-specified investors, place or allot new shares to existing shareholders, issue new shares to targeted investors, convert new shares from capital reserve, or through other means as permitted by laws or administrative regulations.

(III) Equity-linked Agreement

As of the end of the Reporting Period, the Bank has not entered into any equity-linked agreement.

(IV) Sufficiency of Public Float

During the Reporting Period, the total share capital of the Bank remained unchanged. As of the end of the Reporting Period, the total share capital of ordinary shares of the Bank was 11,357,000,000 shares (including 8,843,663,959 A shares and 2,513,336,041 H shares). Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the end of the Reporting Period.

(V) Particulars of Shareholdings of the Top Ten Shareholders and Major Shareholders

For the details of shareholdings of the top ten shareholders and major shareholders of the Bank as of the end of the Reporting Period, please refer to the section headed “Chapter 7 Changes in Shares and Particulars of Shareholders” of this report.

V. Directors, Supervisors and Senior Management

(I) Information on Directors, Supervisors and Senior Management

For details of directors, supervisors and senior management of the Bank, please refer to the section of “Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management” of this report.

(II) Directors’, Supervisors’ and the Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 31 December 2023, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Hong Kong Listing Rules were as follows:

Report of the Board of Directors

Name	Position	Capacity	Number of A shares held	% of the A shares (%)	% of the total share capital (%)
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	Beneficial Owner	46,500	0.00053	0.00041
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	Beneficial Owner	75,400	0.00085	0.00066
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	Beneficial Owner	39,300	0.00044	0.00035
Yin Xianglin	Non-executive Director	Beneficial Owner	2,900	0.00003	0.00003

Note: The above number of shares refers to long position.

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as of 31 December 2023.

(III) Directors', Supervisors' and Senior Management's Financial, Business and Family Relationships

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material/relevant relationships.

(IV) Arrangements to Purchase Shares or Debentures

During the Reporting Period, neither the Bank nor its subsidiaries entered into 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.

(V) Directors' and Supervisors' Interests in Material Transactions, Arrangements and Contracts

Save for those continuing connected transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director, supervisor or entity which is related to such persons of the Bank 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 at any time during the year (excluding service contracts).

(VI) Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

(VII) Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Bank (whether entered into by the Bank or otherwise) or any director of the associates of the Bank (if it is entered into by the Bank) at any time during the financial year of the Bank and up to the date of the report of the Board of Directors of the Bank.

(VIII) Directors' and Supervisors' Interests in Competing Businesses

None of the directors and supervisors of the Bank had any interests in businesses that compete or may compete, directly or indirectly, with the business of the Bank.

(IX) Remuneration Policy for the Directors, Supervisors and Senior Management

For details of the remuneration policy for directors, supervisors and senior management of the Bank, please refer to the section of "Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management – (III) Remuneration of Directors, Supervisors and Senior Management in 2023" of this report.

VI. Major Customer

During the Reporting Period, aggregate amount of interest income and other operating income from the top five customers of the Bank was less than 30% of the total amount of interest income and other operating income of the Group.

VII. 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 of the Bank being entered into by or existed in the Bank.

VIII. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. For details of the manner in which the principles and code provisions in the CG Code are applied and implemented by the Bank, please refer to the section of “Chapter 4 Corporate Governance Report” of this report.

IX. Connected Transactions

Transactions between the Bank and the Bank’s connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. The transactions set out in the section headed “Consolidated Financial Statements and Notes – IV. Notes to the Consolidated Financial Statements – 43. Related Party Relationships and Transactions” in this report did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

X. Tax

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation, and shall seek professional advice from their tax and legal advisors on specific payment matters. The following cited laws, regulations and stipulations are all relevant provisions issued as of 31 December 2023.

A Share Holders

Natural person shareholders and securities investment funds

In accordance with the provisions of the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued jointly by Ministry of Finance, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings and the transfer market, where the holding period is less than 1 month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than 1 month and less than 1 year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds 1 year, the dividends and bonuses shall be exempted from individual income tax on a provisional basis. Individual income taxes on the aforesaid incomes shall be levied at the uniform rate of 20%. Individual income taxes levied on dividends and bonuses obtained by securities investment funds from listed companies are also calculated in accordance with the afore-mentioned rules. The individual shareholders of restricted shares shall calculate and levy individual income tax at the applicable tax rate of 20% after deducting 50% of the dividend income obtained before the lifting of the ban on shares, and implement differential tax policies on the dividend income obtained after the lifting of the ban on shares according to the shareholding time, which shall start from the lifting of the ban.

Shareholders of resident enterprises

In accordance with the provisions of Article 26(2) of the Enterprise Income Tax Law (《企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises are tax-exempt income. In accordance with Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26(2) of the Enterprise Income Tax Law mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises. Dividends, bonuses and other equity investment proceeds referred to in Article 26(2) of the Enterprise Income Tax Law exclude those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

QFII

In accordance with the provisions of the Notice of the State Administration of Taxation on Issues Concerning Withholding of Corporate Income Tax on the Dividends, Bonus and Interest paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009] No. 47), 10% of the enterprise income tax on the dividend income derived from the territory of China by QFII shall be paid in accordance with the provisions of the Enterprise Income Tax Law, and shall be withheld and paid by the enterprises that distribute dividends. Where QFII obtains dividend income and needs to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No. 35).

Investors in Hong Kong Market

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before the Hong Kong Securities Clearing Company Limited (“HKSCC”) meets the conditions of providing identification, term of shareholding and other specific data of investors to the China Securities Depository and Clearing Corporation Limited; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the enterprises or individuals may by themselves apply to the governing tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties.

H Share Holders

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China and related implementation rules, relevant requirements of the “Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises” (Guo Shui Han [2008] No. 897) and relevant regulations, the Bank withholds the enterprise income tax at the rate of 10% for dividends paid to non-resident enterprise shareholders.

Non-resident Individual Shareholders

According to Guo Shui Han [2011] No. 348 documents issued by the State Administration of Taxation, the Bank is required to withhold individual income tax for non-resident individual holders of H Shares, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank temporarily withholds individual income tax at the rate of 10%. Where non-resident individual holders of H shares need to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No. 35).
2. As for non-resident individual holders of H shares in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

Investors of Southbound Trading

Individual shareholders in the Mainland of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shareholders of mainland enterprises of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder) the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

XI. Business Review

(I) Examining the Company's Business and Revealing the Possible Future Development of the Company's Business

The Group is mainly engaged in banking and related financial services in mainland China, and the discussion and analysis of business review are detailed in the section of "Chapter 3 Management Discussion and Analysis — VI. Business Overview" of this report. The main risks of the Group and the possible future development plan for the Group's business are detailed in the section of "Chapter 3 Management Discussion and Analysis – VIII. Risk Management and XI. Outlook" of this report.

(II) Compliance with Laws and Regulations

The Board of Directors paid close attention to the policies and regulations in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for mainland China and Hong Kong laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws and regulations from time to time. Laws and Regulations are the basis and foundation for the legal and compliant operation of the Bank, and also the guidance for the Bank to conduct operating and management activities within the regulatory framework. According to the requirements and changes of laws and regulations, the Bank evaluates the effect on operation and management and make necessary adjustments to ensure healthy business development with legal compliance.

(III) Relations with Employees, Customers and Suppliers

The Bank placed utmost emphasis on the corporate culture construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and most valuable assets and has been always cherishing the employees' contribution and support. The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career planning. By means of appropriate trainings and opportunities provided, the Bank has helped employees in career development and promotion.

The Bank has been always perfecting the financial services to the customers to win the clients' understanding, trust and support. The Bank insists on the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

The Bank attaches importance to the cooperation with suppliers, and adheres to the principle of fair competition when selecting suppliers. In view of the business nature of the Bank, the Bank did not have major suppliers.

(IV) Environmental Protection Policy and Implementation of the Bank

For details of the Bank's compliance of laws and regulations that have a significant impact on environmental policies, please refer to the 2023 Corporate Social Responsibility and ESG Report of Chongqing Rural Commercial Bank Co., Ltd.

(V) Details of Major Events Subsequent to the End of Financial Year under Review with Significant Influence on the Company

The Bank conducted a comprehensive review on the financial performance of 2023 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2023. Save for the above, no major event or case with any significant influence on the Group has occurred after completion of annual financial review and up to the date of this report.

On behalf of the Board
Xie Wenhui
Chairman

28 March 2024

Report of the Board of Supervisors

The Board of Supervisors of the Bank conscientiously fulfilled the responsibility assigned by the Articles of Association. The Board of Supervisors was in line with the principles that were conducive to the sustainable and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to carry out work with emphasis on performance supervision, financial supervision, internal control and risk supervision, continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank and effectively playing a role of supervision and balance in corporate governance.

I. Major Work

(I) Supervision on Meetings

As at the end of the Reporting Period, the Board of Supervisors of the Bank convened 7 meetings in total in 2023, at which resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The Board of Supervisors played its role as a special committee and convened 6 related meetings, at which the Audit Committee has 4 meetings, the Internal Control Review Committee has 1 meeting and the Performance Due Diligence Supervision Committee has 1 meeting. To ensure that the meetings were effective, before each meeting, the issues were submitted to the reviewers as required, opinions were fully discussed at the meetings and implementation of resolutions formed after the meetings. The Board of Supervisors attended 1 general meeting and 8 on-site conferences of the Board of Directors to supervise the meeting process and give supervisory opinions on related issues.

(II) Daily Supervision

In terms of the duty performance supervision, the Board of Supervisors continued to pay attention to the compliance of the Board of Directors, senior management and its members with the laws and regulations and the Articles of Association of the Bank, strengthened the supervision of the implementation of the development strategies, and conducted remuneration post- strategy assessment. The Bank focused on the implementation of the Bank's strategy, and whether the salary system is conducive to promoting the high-quality development of the Bank. In view of the shortcomings existing in the actual implementation and in combination with the current business development priorities, constructive suggestions were put forward from the perspective of the Board of Supervisors. The Board of Supervisor paid attention to the supervision of the performance of duties, and collected relevant information on corporate governance, operation and management, risk management and control, and internal supervision, and deepened the supervision of the performance of duties through measures such as attending Board meetings, accessing information, conducting performance evaluations.

In terms of financial supervision, the Board of Supervisors focused on supervising the Bank's important financial decisions, profit distribution plan and financial budget control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The Board of Supervisors reviewed the annual report, interim report and quarterly report on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The Board of Supervisors paid attention to the communication with the external auditors, and regularly debriefed the auditing reports.

In terms of internal control and risk supervision, the Board of Supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations. The Board of Supervisors focused on the organizational structure of internal control, system construction and implementation, quality of internal control inspection, problem rectification and accountability, etc., listened to the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of supervision and revelation of issues, so as to promote the improvement of such rectification.

(III) Concentrated Supervision

The Board of Supervisors focused on the implementation of national policies, laws and regulations and the "Three Important and One Major" system, main business indicators, strategic sustainable development capabilities, and internal control management and risk prevention, through measures such as on-site inspections, investigations on grassroots operation institutions, meetings with auditors, and reviews on relevant archives, so as to organize and implement its concentrated supervision and inspection. In general, the Board of Supervisors believes that the Bank strictly implements all national policies and laws and regulations, maintains prudent risk appetite, establishes a good sense of compliance management, and upholds the principle of strict governance. The Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention level has been improved continuously.

(IV) Special Inspection and Specified Reports

The Board of Supervisors actively carried out special inspection in accordance with the Bank's operating practices and fully performed its supervisory responsibilities. The Board of Supervisors carried out the inspection through consulting materials, department interviews and other means, and verified the rectification and implementation of the problems identified in the inspection. Judging from the verification, the Board of Directors and the management attach great importance to the rectification of the problems disclosed by the Board of Supervisors, urge relevant responsible departments to formulate effective rectification measures in terms of system process and system construction for the problems revealed in the special inspection, clarify the time limit for rectification and timely follow up the progress of rectification. Overall, the Board of Supervisors has formulated a detailed inspection plan, clarified their respective responsibilities and promoted the improvement of the Bank's comprehensive management level through special inspection.

(V) Self-establishment of the Board of Supervisors

Continuous efforts have been made to strengthen the construction of the Board of Supervisors in terms of system, personnel and knowledge. The Board of Supervisors improved its supervision groundwork to improve operational efficiency, through regularly collecting and analyzing the key operational data, financial indicators and asset quality data of the Bank as reference for the Board of Supervisors in making comments. For problems in relation to system construction and implementation, effectiveness of internal control, risk prevention and financial compliance, the Board of Supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the Board of Supervisors to conduct targeted interviews and track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

II. Independent Opinions on Relevant Matters of the Bank

(I) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the provisions of laws, regulations and the Articles of Association of the Bank. As at the date of this report, existing directors and senior management of the Bank were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association of the Bank; neither did they commit any acts detrimental to the interests of the Bank.

(II) Financial Reporting

KPMG Huazhen LLP and KPMG has audited the financial report for the year 2023 of the Bank prepared in accordance with the Chinese Accounting Standards and the International Accounting Standards respectively, and has issued unqualified audit report respectively. The Board of Supervisors considered the financial report of the Bank for 2023 gave a true, objective and accurate view of the financial position and operating results of the Bank.

(III) Acquisition and Disposal of Assets

During the Reporting Period, the Board of Supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a loss on the Bank's assets.

(IV) Related Party Transactions

During the Reporting Period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the Board of Supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

(V) Internal Control

The Board of Supervisors has reviewed the 2023 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

(VI) Performance of Social Responsibility

During the Reporting Period, the Bank vigorously performed social responsibilities. The Board of Supervisors has no disagreement with the 2023 Corporate Social Responsibility and ESG Report of Chongqing Rural Commercial Bank Co., Ltd..

Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.
28 March 2024

Independent Auditor's Report

To the shareholders of Chongqing Rural Commercial Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 197 to 372, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers</p> <p><i>Refer to Note IV 7 Credit impairment losses, Note IV 16 Loans and advances to customers and Note IV 47(1) Credit risk and the accounting policies in Note II 8.5 Impairment of financial instruments and Note III 1 Measurement of the expected credit loss allowance.</i></p> <p>The Group adopts an expected credit loss ("ECL") model according to International Financial Reporting Standard 9, Financial instruments.</p> <p>The determination of ECL allowances is subject to the application of a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, as well as adjustments for forward-looking information and other adjustment factors. Significant management judgement is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of ECL allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL allowances for corporate loans and advances to customers are derived from estimates whereby management takes into consideration the historical losses, internal and external credit grading and other factors. The ECL for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other factors.</p>	<p>Our audit procedures to assess ECL allowances for loans and advances to customers included the following:</p> <ul style="list-style-type: none">• assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, as well as the credit grading process and the measurement of ECL;• involving KPMG's information technology specialists in understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, logics and compilation of the overdue information, operational process of the credit grading of corporate customers, inter-system data transmission, mapping of parameters of ECL model and system calculation logic of ECL allowances of loans and advances to customers;• involving KPMG's financial risk specialists in assessing the appropriateness of the ECL model used in determining ECL allowances, and assessing the reasonableness of the key parameters and assumptions in the ECL model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management overlays;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers (<i>continued</i>)</p> <p>Management also exercises judgement in determining the quantum of loss given default and ECL allowances of stage 3 loans and advances to customers based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of any collateral, the seniority of the claim, the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.</p> <p>We identified the measurement of ECL allowances for loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none">• assessing the completeness and accuracy of data used in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the list of loans and advances to customers used by management to assess the ECL allowances with the general ledger to evaluate the completeness of the list, selecting samples and comparing individual information of the loans and advances to customers with the underlying agreements and other related documentation to evaluate the compilation accuracy of the list. For key parameters derived from external data, we assessed the accuracy by selecting samples comparing them with public resources;• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the internal records including historical loss experience and type of collateral. As part of these procedures, we inquired the reasons for management's revisions to estimates and input parameters and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development and whether signs of management bias exist;• for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Expected credit loss allowances for loans and advances to customers <i>(continued)</i>	<ul style="list-style-type: none"><li data-bbox="798 534 1441 1078">evaluating the reasonableness of management's assessment on whether the credit risk of loans and advances to customers has, or has not, increased significantly since initial recognition and whether loans and advances to customers are credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation and samples which met specific risk criteria. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;<li data-bbox="798 1121 1441 1552">for selected samples of loans and advances to customers that are credit-impaired, evaluating the appropriateness of ECL allowances and management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;<li data-bbox="798 1595 1441 1767">recalculating the amount of ECL allowances for 12 months and lifetime credit losses using the ECL model based on the above parameters and assumptions for a sample of loans and advances to customers;<li data-bbox="798 1811 1441 1949">evaluating the reasonableness of disclosures regarding ECL allowances of loans and advances to customers against prevailing accounting standards.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Consolidation of structured entities</p> <p><i>Refer to Note IV 44 Structured entities and the accounting policies in Note II 2 Consolidation and Note III 4 Consolidation of structured entities.</i></p> <p>Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire an ownership interest in, or act as a sponsor to a structured entity, through issuing a fund, a trust plan, an asset-backed security, a wealth management product or an asset management plan.</p> <p>In determining whether the Group should consolidate a structured entity, management is required to consider the power that the Group is able to exercise, the variable returns that the Group receives and its ability to influence the variable returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls over consolidation of structured entities;• selecting samples on structured entities and performing the following audit procedures:<ul style="list-style-type: none">– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement that the Group has with the structured entity and assessing management's judgement over whether the Group has the ability to exercise power over the structured entity;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Consolidation of structured entities <i>(continued)</i></p> <p>We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each structured entity.</p>	<ul style="list-style-type: none">– inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or variable returns from the Group's involvement in such an entity;– evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity;– assessing management's judgement over whether the structured entity should be consolidated or not. <ul style="list-style-type: none">• evaluating the reasonableness of disclosures regarding consolidation of structured entities against prevailing accounting standards.

Independent Auditor's Report (Continued)

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 Chan Siu Tung.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2023	2022
Interest income		49,887,063	51,257,795
Interest expense		(26,393,954)	(25,853,557)
Net interest income	1	<u>23,493,109</u>	<u>25,404,238</u>
Fee and commission income		2,235,859	2,326,746
Fee and commission expense		(444,571)	(413,542)
Net fee and commission income	2	<u>1,791,288</u>	<u>1,913,204</u>
Net trading gains	3	1,886,356	687,446
Share of profits of associates		22,658	3,253
Other operating income, net	4	474,519	463,365
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		243,816	404,612
Net gains on derecognition of financial assets measured at amortised cost		<u>45,417</u>	<u>65,203</u>
Operating income		27,957,163	28,941,321
Operating expenses	5	(9,820,014)	(9,540,499)
Credit impairment losses	7	(5,941,276)	(7,840,491)
Impairment losses on other assets		–	(333)
Profit before tax		12,195,873	11,559,998
Income tax expense	8	(1,070,721)	(1,082,154)
Profit for the year		<u>11,125,152</u>	<u>10,477,844</u>
Attributable to:			
– Shareholders of the Bank		10,902,355	10,275,574
– Non-controlling interests		222,797	202,270
Earnings per share (Expressed in Renminbi (“RMB”) Yuan per share)			
Basic and diluted	9	<u>0.94</u>	<u>0.89</u>

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

Consolidated statement of Comprehensive Income

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Profit for the year	<u>11,125,152</u>	<u>10,477,844</u>
Other comprehensive income, after tax:		
Items that will not be reclassified to profit or loss:		
– Changes in remeasurement of defined benefit plans	(143,181)	65,009
– Changes in fair value of equity instruments measured at fair value through other comprehensive income	(303,367)	(123,829)
Items that may be reclassified:		
– Changes in fair value of debt instruments measured at fair value through other comprehensive income	1,151,765	(430,277)
– Credit impairment losses of debt instruments measured at fair value through other comprehensive income	<u>192,290</u>	<u>12,584</u>
Other comprehensive income for the year (net of tax)	<u>897,507</u>	<u>(476,513)</u>
Total comprehensive income for the year	<u>12,022,659</u>	<u>10,001,331</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	11,799,937	9,799,076
Non-controlling interests	222,722	202,255

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

Consolidated statement of Financial Position

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	As at 31 December	
		2023	2022
Assets			
Cash and balances with central bank	11	55,782,700	52,894,028
Deposits with banks and other financial institutions	12	15,434,655	12,028,449
Placements with banks and other financial institutions	13	93,211,313	82,638,207
Derivative financial assets	14	20,911	16,314
Financial assets held under resale agreements	15	11,451,770	8,457,236
Loans and advances to customers	16	647,276,750	605,085,448
Financial investments:	17		
– Financial assets measured at fair value through profit or loss		110,774,968	65,835,694
– Financial assets measured at fair value through other comprehensive income		166,235,752	106,005,356
– Financial assets measured at amortised cost		321,772,087	401,141,674
Investments in associates	18	477,343	454,685
Property and equipment	19	4,835,972	4,738,478
Rights-of-use assets	20	188,534	157,986
Goodwill	21	440,129	440,129
Deferred tax assets	23	11,541,786	10,773,326
Other assets	24	<u>2,077,402</u>	<u>1,634,235</u>
Total assets		<u>1,441,522,072</u>	<u>1,352,301,245</u>
Liabilities			
Borrowings from central bank	25	107,161,736	86,393,367
Deposits from banks and other financial institutions	26	55,923,696	51,844,467
Placements from banks and other financial institutions	27	51,340,489	41,684,692
Financial liabilities measured at fair value through profit or loss	28	8,748,274	3,245,979
Derivative financial liabilities	14	15,061	12,450
Financial assets sold under repurchase agreements	29	63,309,673	42,465,622
Deposits from customers	30	896,202,230	824,946,754
Accrued staff costs	31	5,765,320	5,293,169
Debt securities issued	32	119,579,392	171,069,176
Income tax payable		466,000	654,438
Lease liabilities		165,213	135,385
Other liabilities	33	<u>8,903,238</u>	<u>9,099,465</u>
Total liabilities		<u>1,317,580,322</u>	<u>1,236,844,964</u>

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

Consolidated statement of Financial Position (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	As at 31 December	
		2023	2022
Equity			
Share capital	34	11,357,000	11,357,000
Other equity instruments	35	5,997,648	5,997,648
Capital reserve	36	20,895,218	20,924,618
Investment revaluation reserve	37	694,926	(345,762)
Actuarial changes reserve		(719,314)	(576,208)
Surplus reserve	38	14,822,232	13,841,815
General reserve	39	19,117,715	17,848,932
Retained earnings	40	50,008,344	44,675,479
Equity attributable shareholders of the Bank		122,173,769	113,723,522
Non-controlling interests		1,767,981	1,732,759
Total equity		<u>123,941,750</u>	<u>115,456,281</u>
Total equity and liabilities		<u>1,441,522,072</u>	<u>1,352,301,245</u>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024.

XIE WENHUI
CHAIRMAN

SUI JUN
HEAD OF ACCOUNTING
DEPARTMENT

(COMPANY CHOP)

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

Consolidated statement of Changes in Equity

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note /V	Attributable to shareholders of the Bank							Subtotal	Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve				Retained earnings
As at 1 January 2023		11,357,000	5,997,648	20,924,618	(345,762)	(576,208)	13,841,815	17,848,932	44,675,479	113,723,522	1,732,759	115,456,281
Profit for the year		-	-	-	-	-	-	-	10,902,355	10,902,355	222,797	11,125,152
Other comprehensive income		-	-	-	1,040,688	(143,106)	-	-	-	897,582	(75)	897,507
Total comprehensive income for the year		-	-	-	1,040,688	(143,106)	-	-	10,902,355	11,799,937	222,722	12,022,659
Acquisition of subsidiary with non-controlling interests	36	-	-	(29,400)	-	-	-	-	-	(29,400)	(187,500)	(216,900)
Appropriation to surplus reserve	38	-	-	-	-	-	980,417	-	(980,417)	-	-	-
Appropriation to general reserve	39	-	-	-	-	-	-	1,268,783	(1,268,783)	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	-	(3,082,290)	(3,082,290)	-	(3,082,290)
Dividends paid to other equity instrument holders	10	-	-	-	-	-	-	-	(238,000)	(238,000)	-	(238,000)
As at 31 December 2023		11,357,000	5,997,648	20,895,218	694,926	(719,314)	14,822,232	19,117,715	50,008,344	122,173,769	1,767,981	123,941,750

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

Consolidated statement of Changes in Equity (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note /V	Attributable to shareholders of the Bank								Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2022		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144
Profit for the year		-	-	-	-	-	-	-	10,275,574	10,275,574	202,270	10,477,844
Other comprehensive income		-	-	-	(541,522)	65,024	-	-	-	(476,498)	(15)	(476,513)
Total comprehensive income for the year		-	-	-	(541,522)	65,024	-	-	10,275,574	9,799,076	202,255	10,001,331
Capital contribution from other equity instrument holders	35	-	1,999,310	-	-	-	-	-	-	1,999,310	-	1,999,310
Appropriation to surplus reserve	38	-	-	-	-	-	911,137	-	(911,137)	-	-	-
Appropriation to general reserve	39	-	-	-	-	-	-	1,967,535	(1,967,535)	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	-	(2,867,643)	(2,867,643)	(861)	(2,868,504)
Dividends paid to other equity instrument holders	10	-	-	-	-	-	-	-	(160,000)	(160,000)	-	(160,000)
As at 31 December 2022		11,357,000	5,997,648	20,924,618	(345,762)	(576,208)	13,841,815	17,848,932	44,675,479	113,723,522	1,732,759	115,456,281

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

Consolidated statement of Cash Flows

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2023	2022
Operating activities		
Profit before tax	12,195,873	11,559,998
Adjustments for:		
Depreciation and amortisation	856,657	820,170
Credit impairment losses	5,941,276	7,840,491
Impairment losses on other assets	–	333
Interest income arising from investment securities	(16,710,400)	(17,578,907)
Interest expense arising from debt securities issued	3,746,873	4,643,861
Net gains on disposal of investment securities	(1,504,134)	(1,687,218)
Net gains on investments in associates	(22,658)	(3,253)
Dividend income from investment securities	(14,783)	(8,631)
Net gains on disposal of property, equipment and other assets	(23,035)	(31,942)
Fair value (gains)/losses	(43,964)	652,622
Foreign exchange gains	(23,001)	(96,085)
Operating cash flows before movements in working capital	<u>4,398,704</u>	<u>6,111,439</u>
Net change in operating assets and operating liabilities:		
Decrease in balances with central bank, deposits with banks and other financial institutions	801,838	7,955,059
(Increase)/decrease in placements with banks and other financial institutions	(9,015,675)	1,298,149
(Increase)/decrease in financial assets held under resale agreements	(69)	386,776
Increase in financial assets held for trading purpose	(38,902,555)	(18,661,449)
Increase in loans and advances to customers	(44,946,580)	(54,098,491)
Increase in financial assets sold under repurchase agreements	20,865,236	23,253,052
Increase in borrowings from central bank	20,706,205	5,883,144
Increase in placements from banks and other financial institutions	9,644,145	7,472,767
Increase in deposits from customers, deposits from banks and other financial institutions	71,500,491	86,218,986
Increase in financial liabilities measured at fair value through profit or loss	5,502,971	3,245,031
Increase in other operating assets	(2,897,312)	(2,512,482)
Increase in other operating liabilities	<u>4,128,829</u>	<u>6,555,837</u>

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

Consolidated statement of Cash Flows (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2023	2022
Cash from operating activities	41,786,228	73,107,818
Income tax paid	(2,326,847)	(2,206,647)
Net cash generated from operating activities	39,459,381	70,901,171
Investing activities		
Cash received from disposal and redemption of investment securities	296,515,086	288,457,752
Interest income received from investment securities	16,634,996	18,306,975
Cash received from disposal of property, equipment and other assets	133,795	102,305
Dividends income from investment securities	14,783	8,631
Cash paid for purchase of investment securities	(281,393,391)	(321,579,730)
Cash paid for purchase of property, equipment and other assets	(1,036,331)	(610,866)
Cash paid for acquisition of subsidiary with non-controlling interests	(29,400)	–
Net cash used in investing activities	30,839,538	(15,314,933)
Financing activities		
Cash received from debt securities issued	234,975,743	226,369,005
Cash received from issuance of other equity instruments	–	1,999,310
Repayments of debt securities issued	(289,310,000)	(284,430,000)
Dividends paid to shareholders of the Bank	(3,320,269)	(3,028,730)
Dividends paid to shareholders of non-controlling interests	–	(861)
Interest paid on debt securities issued	(902,400)	(768,100)
Cash paid in other financing activities	(67,670)	(73,025)
Net cash used in financing activities	(58,624,596)	(59,932,401)

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

Consolidated statement of Cash Flows (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	As at 31 December	
		2023	2022
Net increase/(decrease) in cash and cash equivalents		11,674,323	(4,346,163)
Cash and cash equivalents as at 1 January		31,518,342	35,785,425
Effect of foreign exchange rate changes		17,753	79,080
Cash and cash equivalents as at 31 December	41	<u>43,210,418</u>	<u>31,518,342</u>
Net cash from operating activities include:			
Interest received		31,724,583	33,213,135
Interest paid		<u>(18,755,337)</u>	<u>(19,082,186)</u>
Net interest received from operating activities		<u>12,969,246</u>	<u>14,130,949</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

I GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on the Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the National Financial Regulatory Administration (the former “China Banking and Insurance Regulatory Commission”, hereinafter referred to as “NFRA”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise provision of banking services, which includes deposit taking, loan lending, payment and settlement services, wealth management, financial leasing and other services as approved by NFRA.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

Statement of compliance (Continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note II 1.1 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

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

1.1 Other amendments to the standards effective in 2023 relevant to and adopted by the Group

The Group has adopted the following amendments to the IFRSs issued by the IASB that are first effective for the financial year ended 31 December 2023.

			Notes
(1)	IFRS 17	Insurance Contracts	(i)
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	(ii)
(3)	Amendments to IAS 8	Definition of Accounting Estimates	(iii)
(4)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	(iv)
(5)	Amendments to IAS 12	Income taxes: International Tax Reform – Pillar Two Model Rules	(v)

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1.1 Other amendments to the standards effective in 2023 relevant to and adopted by the Group (Continued)

(i) *IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of these contracts.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(ii) *Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies*

The amendments clarify that an entity will be required to disclose its "material" accounting policy information as opposed to "significant" accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(iii) *Amendments to IAS 8: Definition of Accounting Estimates*

The amendments now define "accounting estimates" as "monetary amounts in financial statements that are subject to measurement uncertainty" and remove the definition of "a change in accounting estimate". The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1.1 Other amendments to the standards effective in 2023 relevant to and adopted by the Group (Continued)

- (iv) *Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- (v) *Amendments to IAS 12, Income taxes: International Tax Reform – Pillar Two Model Rules*

The Group has adopted International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023

The Group has not adopted the following new standards and amendments that have been issued by the IASB but are not yet effective.

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(ii)
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	(ii)
(4)	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024	(iii)
(5)	Amendments to IAS 21	Lack of Exchangeability	1 January 2025	(iv)
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred indefinitely	(v)

(i) *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains, including cases with variable lease payments in the leaseback.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023 (Continued)

(ii) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognised separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023 (Continued)

(iii) *Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements*

On 25 May 2023, the IASB issued the Amendments to IAS 7 and IFRS 7, which contains disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

(iv) *Amendments to IFRS 21: Lack of Exchangeability*

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

(v) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

When merging, all intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as “interest income” and “interest expenses” respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

5 Foreign currency translation

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

5 Foreign currency translation (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated statement of profit or loss in the period in which they arise, except for the following:

- changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

6 Taxation

Income tax comprises current and deferred income tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated statement of profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

7.1 Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses. In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss or capitalization as cost of related assets.

7.2 Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution plans

Defined contribution retirement schemes

The Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes monthly at the applicable rates based on the amounts stipulated by the local government organisations. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees. During the accounting period in which the employees provide services, the amount payable in accordance with the above regulations are recognised as a liability and charged to the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

7.2 Post-employment benefits (Continued)

Defined contribution plans (Continued)

Annuity plan

In addition to the statutory provision contributions, the Group's employees retired after 1 January 2019 have voluntarily joined the annuity scheme set up in accordance with state enterprise annuity regulations. The Group contributes to the annuity plan in proportion to the total wages of employees in the previous year. For employees who would soon retire after participating in the annuity scheme, the Group will make compensatory contributions during the transition period in accordance with the policies of the relevant national authorities. After employees' retirement, the enterprise annuity pays pensions to retired employees. During the accounting period in which services are rendered, the Group recognises the calculated payable amount as a liability, and charged to the profit or loss or the cost of relevant assets.

Defined benefit plans

The Group pays supplementary retirement benefits for its retired employees, consisting of supplementary pension for employees retired on or before 31 December 2018 and supplementary medical benefits for all retired employees. Such supplementary retirement benefits are defined benefit plans. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income which will not be reclassified to profit or loss in subsequent accounting periods.

7.3 Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated statement of profit or loss. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated statement of profit or loss when incurred.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments

8.1 Initial recognition, classification and measurement of financial instruments

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. For other classes of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognized value.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

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

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments in the Group are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Debt instruments (Continued)

Based on these factors, the debt instruments of the Group are classified into three categories below:

- (i) AC: Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVTPL, are measured at amortized cost.
- (ii) FVOCI: Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVTPL, are measured at FVOCI.
- (iii) FVTPL: All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective referring to Note II 8.9, and examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVTPL, except for the equity investment not held for trading where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVTPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

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

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Once the designation is made, it shall not be revoked.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, if the enterprise retains substantially all the risks and rewards of the ownership of the transferred financial asset and does not qualified for derecognition, the Group shall continue to recognize the transferred financial asset in its entirety and recognize a financial liability for the consideration received. In applying the continued involvement approach of accounting, please refer to the Note II 8.7 Derecognition of financial assets for the measurement of the transferred liability.

8.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments traded in active markets the determination of fair values of financial assets and financial liabilities is based on quoted market prices. Active market is a place in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In an active market, the quoted prices of relevant assets or liabilities should be readily and regularly available from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory institutions by the enterprise. The current market may not be active when there is a significant decline in the volume of transaction or level of activity, price quotations vary substantially either over time or among market-makers and current prices are not available. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) *Amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income and interest expenses from these financial assets and liabilities are included in “interest income” and “interest expenses” using the effective interest rate method.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(1) Amortized cost (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 (“ECL”) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired (“POCI”) financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

- (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and
- (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in “interest income” using the effective interest rate method.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(2) Fair value through other comprehensive income (Continued)

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

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

The financial asset is measured at fair value and net gains or losses are recognized in profit or loss.

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- (i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- (ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflecting:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) 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.

For financial instruments whose impairment losses are measured using the ECL models, the Group applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.
- Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 47(1).
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note IV 47(1).

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.5 Impairment of financial instruments (Continued)

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months (“12m ECL”). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments (“Lifetime ECL”). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 47(1).

For accounts receivable, lease receivables and contract assets, the Group always recognize lifetime expected credit losses. The Group uses provision matrix based on its historical credit loss experience for above-mentioned financial assets to estimate ECLs. The historical credit experience is appropriately adjusted to reflect the specific factors of borrowers, current events and forecast future conditions as at reporting date.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

8.6 Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a ‘new’ asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized 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 recognized in profit or loss as a gain or loss on derecognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.6 Modification of loans (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met:

- (1) the Group's contractual rights to the cash flows from the financial asset expire;
- (2) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- (3) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liability is recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the sum of the consideration received for the part derecognized any cumulative amount of fair value recognized in other comprehensive income (if the transfer involves any debt investments measured at fair value through other comprehensive income) and the carrying amount allocated to the part derecognized on the date of derecognition shall be included in profit and loss for the current period.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.8 Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

8.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (1) and (2) below are met: (1) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (2) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.10 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The changes in fair value are recognized in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.11 Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (1) Their economic characteristics and risks are not closely related to those of the host contract;
- (2) A separate instrument with the same terms would meet the definition of a derivative; and
- (3) The hybrid contract is not measured at fair value through profit or loss.

Where an embedded derivative is separated from a hybrid contract, the Group accounts for the host contract of the hybrid contract in accordance with the provisions of the applicable accounting standards. Where the fair value of the embedded derivative is unable to be reliably measured on the basis of the terms and conditions, the fair value of the embedded derivative is determined as the difference between the fair value of the hybrid contract and the fair value of the host contract. If, after using the above method, the fair value of the embedded derivative at the acquisition date or at the end of a subsequent financial reporting period is still unable to separately measured, the Group designates the entire hybrid contract as a fair value through profit or loss.

8.12 Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position. Otherwise, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8.13 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 45 Contingent liabilities and commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated financial statements (Note IV 45 Contingent liabilities and commitments – Collateral).

The difference between the purchase and sale price is recognized as gain or loss in profit or loss of the current period using the effective interest method.

9 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated statement of profit or loss in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated statement of profit or loss so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

9 Property and equipment (Continued)

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	4, 5 years	3%	24.25%, 19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated statement of profit or loss. The accounting policies of impairment of property and equipment are included in Note II 15 Impairment of non-financial assets other than goodwill.

10 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

11 Foreclosed assets

The Group initially recognizes at fair value the foreclosed financial assets. Non-financial foreclosed assets are initially recognized at the fair value of the rights given up by creditors and other costs such as taxes directly attributable to the asset.

When the debtor pays off the debts with multiple assets or in form of restructuring arrangement, the Group firstly recognizes and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note II 8.1 Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by creditor deducted the initial amount recognized for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognized as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by creditor is recorded in profit and loss.

12 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated statement of profit or loss in the period in which they are incurred.

The accounting policies of impairment of investment property are included in Note II 15 Impairment of non-financial assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related taxes, in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

13 Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercise a purchase option or an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability are recognized as an expense in profit or loss when incurred.

The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized 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. Leases of low value assets are the underlying assets are of low value when new.

The Group accounts for a modification to a finance lease as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

13 Leasing (Continued)

The Group as lessee (Continued)

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset for lease modifications that decrease the scope or term of the lease, and recognised the gain or loss relating to the partial or full termination of the lease in profit or loss. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as Loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as other operating income in the consolidated statement of profit or loss on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

14 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss.

Expenditures on the Group's internal research and development projects are classified into expenditures during the research phase and expenditures during the development phase. Expenditures during the research phase are expensed when incurred. Expenditures during the development phase are capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group has sufficient resources and the intention to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note II 15). Other development expenditures are recognised as expenses in the period in which they are incurred.

15 Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

16 Cash and cash equivalents

Cash and cash equivalents are short-term and 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 include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements.

17 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders 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 ordinary equity holders in the annual general meeting of the Bank.

18 Contingent liabilities and provisions

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 recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

19 Fiduciary activities

According to the signed agency agreements with securities investment funds, insurance companies, trust companies and other institutions or individuals, the Group acts as an asset manager, trustee or other fiduciary capacities on behalf of its customers. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the loan object, purpose, amount, interest rate and repayment plan determined by the principal. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered and does not assume the economic risks and rewards of the entrusted loans. The entrusted loans and funding for entrusted funds are not recognized in the Group's consolidated statement of financial position.

Income from fiduciary activities is recognized in accordance with the accounting policy described in Note II, 4.

20 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the original or revised terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. 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.

Notes to the Consolidated Financial Statements (Continued)

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II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

20 Financial guarantee contracts and loan commitments (Continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

21 Segment reporting

The Group identifies operating segments based on the internal organizational structure, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and at the same time share the same or similar characteristics in terms of the nature of the individual products or services, the nature of the process of providing the products or services, the type of customers for the products or services, the manner in which the products or services are provided, and the impact of laws and administrative regulations on the provision of the products or services. The Group determines segment reporting based on operating segments taking into account the principle of materiality.

In preparing segment reporting, the Group measures revenue from inter-segment transactions on the basis of actual transaction prices. The accounting policies used in the preparation of segment reporting are consistent with those used in the preparation of the Group's financial statements.

22 Related parties

The Group determines the Group's related parties in accordance with IFRSs and other relevant provisions.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The judgements, estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgements and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 47(1) Credit risk.

2 Deferred taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax, deferred income tax and VAT during the period in which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2023	2022
Interest income		
Loans and advances to customers	29,137,204	29,496,150
Including: Corporate loans and advances	14,302,509	13,605,714
Personal loans and advances	14,005,647	15,068,915
Discounted bills	829,048	821,521
Financial investments	16,710,400	17,578,907
Including: Financial assets measured at amortised cost	13,345,066	15,393,893
Financial assets measured at fair value through other comprehensive income	3,365,334	2,185,014
Placements with banks and other financial institutions	2,445,579	2,548,739
Balances with central bank	807,270	824,429
Financial assets held under resale agreements	637,816	626,101
Deposits with banks and other financial institutions	148,794	183,469
Subtotal	<u>49,887,063</u>	<u>51,257,795</u>
Interest expense		
Deposits from customers	(16,638,843)	(15,814,726)
Debt securities issued	(3,746,873)	(4,643,861)
Borrowings from central bank	(2,189,645)	(2,172,392)
Placements from banks and other financial institutions	(1,521,782)	(1,336,225)
Financial assets sold under repurchase agreements	(1,153,327)	(1,081,935)
Deposits from banks and other financial institutions	(1,137,910)	(799,675)
Lease liabilities	(5,574)	(4,743)
Subtotal	<u>(26,393,954)</u>	<u>(25,853,557)</u>
Net interest income	<u>23,493,109</u>	<u>25,404,238</u>
Included in interest income		
Interest income on listed investments	16,208,060	16,439,894
Interest income on unlisted investments	502,340	1,139,013
Total	<u>16,710,400</u>	<u>17,578,907</u>

Listed investments mainly include securities traded in the interbank bond market in Mainland China and securities listed on the stock exchange.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2023	2022
Fee and commission income		
Agency and fiduciary service fees	696,972	700,288
Bank card fees	556,726	423,945
Wealth management fees	227,074	462,017
Settlement and clearing fees	148,040	134,001
Others	607,047	606,495
Subtotal	2,235,859	2,326,746
Fee and commission expense		
Bank card fees	(344,174)	(312,659)
Settlement and clearing fees	(41,031)	(37,294)
Others	(59,366)	(63,589)
Subtotal	(444,571)	(413,542)
Total	1,791,288	1,913,204

3 NET TRADING GAINS

	Year ended 31 December	
	2023	2022
Net gains on financial assets measured at fair value through profit	1,903,487	709,881
Net losses on financial liabilities measured at fair value through profit or loss	(2,619)	(4,341)
Net losses on derivative financial instruments	(14,512)	(18,094)
Total	1,886,356	687,446

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2023	2022
Government grants	316,972	310,730
Rental income	89,732	61,849
Foreign exchange gains	23,001	96,085
Net gains on disposal of property, equipment and other assets	23,046	34,912
Net losses on disposal of foreclosed assets	(11)	(2,970)
Penalty and compensation income	7,013	6,851
Donation	(4,900)	(44,800)
Others, net	19,666	708
Total	<u>474,519</u>	<u>463,365</u>

5 OPERATING EXPENSES

	Notes	Year ended 31 December	
		2023	2022
Staff costs	(1)	5,734,678	5,640,156
General operating and administrative expenses		2,742,554	2,593,817
Depreciation and amortisation		803,225	785,669
Tax and surcharges		277,446	274,239
Costs of operating lease business		53,432	34,501
Others	(2)	208,679	212,117
Total		<u>9,820,014</u>	<u>9,540,499</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OPERATING EXPENSES (Continued)

(1) Staff costs

	Note IV	Year ended 31 December	
		2023	2022
Salaries, bonuses and allowances		3,934,402	3,792,354
Social insurance		824,788	808,145
Housing funds		398,828	392,048
Staff welfare		176,441	180,261
Labor union fees and staff education expenses		170,272	130,961
Supplementary retirement benefits	30(1)	132,480	136,180
Enterprise annuity		90,547	189,227
Early retirement benefits	30(2)	<u>6,920</u>	<u>10,980</u>
Total		<u>5,734,678</u>	<u>5,640,156</u>

- (2) The principal auditor's remuneration of RMB5.8 million for the year ended 31 December 2023 is included in other expenses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows:

Name	Notes	Year ended 31 December 2023				Total
		Part-time Fee	Paid Remuneration (before tax)	Contribution to Pension Schemes	Other Monetary Income	
Executive directors						
Xie Wenhui		–	415	128	–	543
Sui Jun	(1)	–	311	87	36	434
Zhang Peizong		–	332	128	38	498
Non-executive directors						
Hu Chun		90	–	–	–	90
Zhang Peng		60	–	–	–	60
Yin Xianglin		90	–	–	–	90
Gu Xiaoxu	(2)	–	–	–	–	–
Independent non-executive directors						
Song Qinghua		135	–	–	–	135
Zhang Qiaoyun		180	–	–	–	180
Lee Ming Hau		180	–	–	–	180
Li Jiaming		180	–	–	–	180
Bi qian		180	–	–	–	180
Supervisors						
Yang Xiaotao		–	346	107	40	493
Huang Qingqing		75	–	–	–	75
Zhang Jinruo		120	–	–	–	120
Hu Yuancong		120	–	–	–	120
Zhang Yingyi		120	–	–	–	120
Zheng Yi	(3)	–	–	–	–	–
Le Xiaoming	(3)	–	–	–	–	–
Zhou Wei	(3)	–	–	–	–	–
Total		1,530	1,404	450	114	3,498

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Name	Notes	Year ended 31 December 2022				Total
		Part-time Fee	Paid Remuneration (before tax)	Contribution to Pension Schemes	Other Monetary Income	
Executive directors						
Liu Jianzhong	(4)	–	135	49	–	184
Xie Wenhui		–	405	123	–	528
Zhang Peizong		–	324	123	38	485
Non-executive directors						
Hu Chun	(5)	–	–	–	–	–
Zhang Peng		90	–	–	–	90
Yin Xianglin		90	–	–	–	90
Gu Xiaoxu	(2)	–	–	–	–	–
Independent non-executive directors						
Song Qinghua		180	–	–	–	180
Zhang Qiaoyun		180	–	–	–	180
Lee Ming Hau		180	–	–	–	180
Li Jiaming		180	–	–	–	180
Bi qian		180	–	–	–	180
Supervisors						
Yang Xiaotao		–	337	102	40	479
Huang Qingqing		75	–	–	–	75
Zhang Jinruo		120	–	–	–	120
Hu Yuancong		120	–	–	–	120
Zhang Yingyi		120	–	–	–	120
Zheng Yi	(3)	–	–	–	–	–
Le Xiaoming	(3)	–	–	–	–	–
Zhou Wei	(3)	–	–	–	–	–
Total		1,515	1,201	397	78	3,191

- (1) Mr. Sui Jun has been serving as the deputy secretary of the Party Committee, president, and executive director of the bank since July 2023.
- (2) During the years ended 31 December 2023 and 2022, Ms. Gu Xiaoxu did not receive remuneration from the bank.
- (3) During the years ended 31 December 2023 and 2022, the Bank's employee representatives in the Board of Supervisors did not receive remuneration as the employee representative supervisors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

- (4) Mr. Liu Jianzhong resigned from the secretary to the Party Committee, chairman and executive director and the positions of relevant special committees under the Board since April 2022.
- (5) Ms. Hu Chun started her performance of duties in October 2022. According to related regulations, directors would not receive remuneration when performance of duties is less than 6 months.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

On account of certain regulations of relevant state authorities, the total remuneration for certain directors, supervisors and senior management members in 2023 has not been finalized, but the management of the Group expects the difference between the current estimate and the final remuneration shall not have a significant impact on the 2023 consolidated financial statements. The 2023 remuneration disclosed herein includes only the basic annual salaries approved for the current year and the proposed performance-based salaries, and the actual total remuneration shall be further disclosed when the determination is finalized by the Bank and duly approved.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors. The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

		Year ended 31 December	
	Notes	2023	2022
Salaries and other emoluments	(1)	7,746	6,880
Contribution to pension schemes		640	679
Total		8,386	7,559

- (1) Salaries and other emoluments include basic salaries, discretionary bonuses and other allowances and benefits.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Five highest paid individuals (Continued)

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2023	2022
HKD0 – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	5	5

During the years ended 31 December 2023 and 2022, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Ms. Gu Xiaoxu, none of the directors or supervisors waived any emoluments during the year ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2023	2022
Loans and advances to customers:		
Measured at amortised cost	4,120,310	7,712,979
Measured at fair value through other comprehensive income	105,553	6,128
Financial investments:		
Financial assets measured at amortised cost	920,981	49,820
Financial assets measured at fair value through other comprehensive income	150,934	10,550
Placements with banks and other financial institutions measured at amortised cost	260,003	(6,257)
Loan commitments	216,085	(10,134)
Other assets	113,929	75,138
Financial assets held under resale agreements	33,369	7,238
Deposits with banks and other financial institutions	20,212	(5,071)
Placements with banks and other financial institutions measured at fair value through other comprehensive income	(100)	100
Total	5,941,276	7,840,491

8 INCOME TAX EXPENSE

(1) *Income tax expense*

	Note IV	Year ended 31 December	
		2023	2022
Income tax expense comprises:			
Current income tax			
– PRC Enterprise Income Tax		2,138,408	2,509,299
Deferred tax	23(2)	(1,067,687)	(1,427,145)
Total		1,070,721	1,082,154

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 INCOME TAX EXPENSE (Continued)

- (2) Reconciliation between income tax expense and profit before tax per the consolidated income statement:

The tax charges for 2023 and 2022 can be reconciled to the profit per the consolidated income statement as follows:

	Notes	Year ended 31 December	
		2023	2022
Profit before tax		<u>12,195,873</u>	<u>11,559,998</u>
Tax calculated at applicable statutory tax rate of 25%		3,048,968	2,890,000
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(127,327)	(116,169)
Tax effect of non-taxable income and tax reduction	(a)	(1,967,492)	(1,806,577)
Tax effect of expenses not deductible for tax purpose	(b)	112,785	113,993
Others		<u>3,787</u>	<u>907</u>
Income tax expense		<u>1,070,721</u>	<u>1,082,154</u>

- (a) Interest income from government bonds and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.
- (b) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2023	2022
Earnings:		
Profit for the year attributable to shareholders of the Bank	10,902,355	10,275,574
Less: profit for the year attributable to other equity instrument holders of the Bank	<u>(238,000)</u>	<u>(160,000)</u>
Profit for the year attributable to ordinary equity holders of the Bank	<u>10,664,355</u>	<u>10,115,574</u>
Number of shares:		
Weighted average number of shares in issue (thousand)	<u>11,357,000</u>	<u>11,357,000</u>
Basic and diluted earnings per share (RMB Yuan)	<u>0.94</u>	<u>0.89</u>

There was no potential dilutive ordinary share outstanding for 2023 and 2022. Accordingly, diluted earnings per share was the same as basic earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS

	Notes	Year ended 31 December	
		2023	2022
Dividends on ordinary shares declared			
Cash dividend related to 2022	(1)	3,082,290	–
Cash dividend related to 2021	(2)	–	2,867,643
		<u>3,082,290</u>	<u>2,867,643</u>
Interest on perpetual bonds declared and paid	(3)	<u>238,000</u>	<u>160,000</u>

A dividend of RMB28.85 cents per share (tax inclusive) in respect of the year ended 31 December 2023 with a total of RMB3,276 million has been proposed by the Board of Directors on 28 March 2024 and to be approved by the shareholders in the 2023 annual general meeting.

- (1) A dividend of RMB27.14 cents per share (tax inclusive) in respect of the year ended 31 December 2022 with a total of RMB3,082 million has been proposed by the Board of Directors on 30 March 2023 and was approved by the shareholders in the 2022 annual general meeting on 25 May 2023.
- (2) A dividend of RMB25.25 cents per share (tax inclusive) in respect of the year ended 31 December 2021 with a total of RMB2,868 million has been proposed by the Board of Directors on 30 March 2022 and was approved by the shareholders in the 2021 annual general meeting on 26 May 2022.
- (3) As at 26 April 2023 and 24 August 2023, the Bank distributed the interest of perpetual bonds amounting to RMB78 million and RMB160 million respectively.

As at 24 August 2022, the Bank distributed the interest of perpetual bonds amounting to RMB160 million.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 CASH AND BALANCES WITH CENTRAL BANK

	Notes	As at 31 December	
		2023	2022
Cash		3,086,789	3,093,479
Statutory reserve deposits with central bank	(1)	46,597,530	47,048,579
Surplus reserve deposits with central bank	(2)	6,047,798	2,671,483
Other deposits with central bank	(3)	50,583	80,487
Total		55,782,700	52,894,028

- (1) The Group places statutory reserve deposits with The People's Bank of China ("PBOC"). These statutory reserve deposits are not available for the Group's daily operations.

The Bank's statutory reserve deposits rates as at the balance sheet date are as follows:

	As at 31 December	
	2023	2022
– RMB statutory reserve deposits rates	5.25%	5.75%
– Foreign currency statutory reserve deposits rates	4.00%	6.00%

Statutory reserve deposits rates of the Bank's subsidiaries are subject to relevant PBOC requirements.

- (2) The surplus reserve deposits are maintained with PBOC for clearing purposes.
- (3) The majority of other deposits with central bank are fiscal deposits placed with PBOC. Fiscal deposits refer to funds from fiscal institutions and deposited with PBOC in accordance with regulations, which cannot be used for daily business operations. Fiscal deposits placed with PBOC are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits with:		
Domestic banks	13,167,704	9,530,499
Other domestic financial institutions	1,806,313	2,033,781
Overseas banks	<u>490,554</u>	<u>473,873</u>
Gross amount	15,464,571	12,038,153
Expected credit loss (“ECL”) allowances	<u>(29,916)</u>	<u>(9,704)</u>
Carrying amount	<u>15,434,655</u>	<u>12,028,449</u>

- (1) As at 31 December 2023, deposits with other financial institutions in mainland China of the Group and the Bank included RMB0.96 million security deposits. There were restrictions on the Group and the Bank’s ability to use these deposits (As at 31 December 2022: RMB0.96 million security deposits for the Group and the Bank).
- (2) As at 31 December 2023 and 31 December 2022, the carrying amount of deposits with banks and other financial institutions of the Group and the Bank were both classified to Stage 1 which their provision measured at an amount equivalent to the ECL for the next 12 months, and neither the carrying amount nor the ECLs of deposits with banks and other financial institutions of the Group and the Bank were transferred among Stages. For the amount of the provision for deposits with banks and other financial institutions of the Group and the Bank for the year and the basis for determining whether credit risk has significantly increased, refer to Note IV 47(1).

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Placements with banks and other financial institutions measured at amortised cost		
Placements with:		
Other domestic financial institutions	93,499,442	82,253,986
ECL allowances	<u>(288,129)</u>	<u>(28,126)</u>
Carrying amount of placements with banks and other financial institutions measured at amortised cost	<u>93,211,313</u>	<u>82,225,860</u>
Placements with banks and other financial institutions measured at fair value through other comprehensive income		
Placements with:		
Other domestic financial institutions	<u>–</u>	<u>412,347</u>
Carrying amount of placements with banks and other financial institutions measured at fair value through other comprehensive income	<u>–</u>	<u>412,347</u>
Carrying amount	<u>93,211,313</u>	<u>82,638,207</u>

- (1) As at 31 December 2023 and 31 December 2022, the carrying amount of placements with banks and other financial institutions of the Group and the Bank were both classified to Stage 1 which their provision measured at an amount equivalent to the ECL for the next 12 months, and neither the carrying amount nor the ECLs of placements with banks and other financial institutions of the Group and the Bank were transferred among Stages. For the amount of the provision for placements with banks and other financial institutions of the Group and the Bank for the year and the basis for determining whether credit risk has significantly increased, refer to Note IV 47(1).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	31 December 2023			31 December 2022		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives						
Currency forward	22,459	685	(569)	787,618	13,130	(10,739)
Foreign exchange swap	392,522	12,496	(12,329)	–	–	–
Interest derivatives						
Interest swap	7,618,760	2,163	(2,163)	5,670,710	1,711	(1,711)
Others	732,000	5,567	–	190,000	1,473	–
Total	8,765,741	20,911	(15,061)	6,648,328	16,314	(12,450)

The nominal amount of derivative financial instruments only provides a basis for comparison with the fair value of the assets or liabilities recognized in the balance sheet, and does not represent the future cash flow or current fair value, and therefore does not reflect the credit risk or market risk faced by the Group.

The Group manages foreign exchange risk by implementing the foreign exchange net position limit. The Group monitors the trading volume and balance of its business in various currencies on a daily basis, matches assets and liabilities in different currencies through foreign exchange transactions, and manages the portfolios and structural positions of assets and liabilities in foreign currency with the appropriate derivative financial instruments. As the portfolios managed by foreign currency derivatives were constantly changing and the gains and losses arising from the underlying foreign currency derivatives and from exchange rate fluctuations of the assets or liabilities in foreign currency have been recognised in foreign exchange gains and losses, the Group does not adopt hedge accounting for this type of business.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2023	2022
Analysed by collateral type:		
Debt securities	11,492,609	8,464,706
ECL allowances	<u>(40,839)</u>	<u>(7,470)</u>
Carrying amount	<u>11,451,770</u>	<u>8,457,236</u>

- (1) As at 31 December 2023 and 31 December 2022, the carrying amount of financial assets held under resale agreements of the Group and the Bank were both classified to Stage 1 which their provision measured at an amount equivalent to the ECL for the next 12 months, and neither the carrying amount nor the ECLs of financial assets held under resale agreements of the Group and the Bank were transferred among Stages. For the amount of the provision for financial assets held under resale agreements of the Group and the Bank for the year and the basis for determining whether credit risk has significantly increased, refer to Note IV 47(1).

16 LOANS AND ADVANCES TO CUSTOMERS

- (1) *Analysis of loans and advances to customers*

	Notes	As at 31 December	
		2023	2022
Gross amount of loans and advances to customers measured at amortised cost		618,703,855	581,456,814
ECL allowances		<u>(29,433,889)</u>	<u>(27,591,636)</u>
Carrying amount of loans and advances measured at amortised cost	(a)	589,269,966	553,865,178
Carrying amount of loans and advances measured at fair value through other comprehensive income		<u>58,006,784</u>	<u>51,220,270</u>
Total		<u>647,276,750</u>	<u>605,085,448</u>

As at the balance sheet date, certain discounted bills were pledged as collaterals in repurchase agreement transactions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(1) Analysis of loans and advances to customers (Continued)

(a) Carrying amount of loans and advances measured at amortised cost

	As at 31 December	
	2023	2022
Corporate loans and advances	324,562,236	295,665,920
Trade financing	<u>3,221,503</u>	<u>3,021,462</u>
Subtotal	<u>327,783,739</u>	<u>298,687,382</u>
Personal loans and advances		
– Loans to private business	120,119,147	101,879,780
– Mortgages	91,489,198	96,965,182
– Consumption	64,312,194	71,460,530
– Credit cards	<u>14,999,577</u>	<u>12,463,940</u>
Subtotal	<u>290,920,116</u>	<u>282,769,432</u>
ECL allowances	<u>(29,433,889)</u>	<u>(27,591,636)</u>
Carrying amount of loans and advances measured at amortised cost	<u>589,269,966</u>	<u>553,865,178</u>

(2) Loans and advances to customers analysed by security type

	As at 31 December	
	2023	2022
Unsecured loans	134,003,092	110,725,271
Guaranteed loans	177,830,133	171,484,835
Collateralised and other secured loans		
Including: Collateralised loans	256,972,411	252,180,788
Pledged loans	<u>107,905,003</u>	<u>98,286,190</u>
Total	<u>676,710,639</u>	<u>632,677,084</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Loans and advances to customers analysed by industry

	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Leasing and commercial services	84,525,191	12.49	72,536,209	11.46
Water conservancy, environment and public facilities management	74,636,222	11.03	71,087,656	11.24
Manufacturing	68,557,409	10.13	65,147,896	10.30
Financial business	36,011,012	5.32	31,762,868	5.02
Retail and wholesale	35,749,939	5.28	31,349,584	4.96
Transportation, logistics and postal services	27,698,301	4.09	25,723,822	4.07
Production and supply of electricity, heating, gas and water	26,913,078	3.98	22,268,907	3.52
Construction	9,729,193	1.44	8,562,214	1.35
Sanitation and social work	6,849,205	1.01	6,834,180	1.08
Real estate	3,458,108	0.51	4,403,721	0.70
Agriculture, forestry, animal husbandry, fishery	2,619,364	0.39	2,352,811	0.37
Education	2,469,242	0.36	2,285,138	0.36
Culture, sports and entertainment	2,467,735	0.36	2,098,958	0.33
Others	4,106,524	0.62	3,493,688	0.55
Subtotal of corporate loans and advances	385,790,523	57.01	349,907,652	55.31
Personal loans and advances	290,920,116	42.99	282,769,432	44.69
Total	676,710,639	100.00	632,677,084	100.00

As at 31 December 2023, corporate loans and advances include RMB58,007 million discounted bills (31 December 2022: RMB51,220 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by security type and overdue period

	As at 31 December 2023				Total
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	
Unsecured loans	712,192	548,331	339,581	40,329	1,640,433
Guaranteed loans	927,014	232,659	398,793	514,951	2,073,417
Collateralised loans	1,671,381	2,358,264	1,707,489	57,352	5,794,486
Pledged loans	2,258	28,256	64,000	1,264	95,778
Total	3,312,845	3,167,510	2,509,863	613,896	9,604,114

	As at 31 December 2022				Total
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	
Unsecured loans	477,414	437,295	221,825	47,954	1,184,488
Guaranteed loans	973,792	428,928	896,687	525,435	2,824,842
Collateralised loans	1,263,749	2,494,693	485,247	45,740	4,289,429
Pledged loans	64,105	–	51,219	1,000	116,324
Total	2,779,060	3,360,916	1,654,978	620,129	8,415,083

Overdue loans refer to all or part of the principal or interest overdue for more than one day.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Loans and advances to customers analysed by credit risk and ECL

(a) Movements of ECL allowances on loans and advances to customers measured at amortised cost

	Year ended 31 December 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2023	14,175,856	6,246,569	7,169,211	27,591,636
Transfer:				
to stage 1	959,797	(848,410)	(111,387)	–
to stage 2	(271,305)	580,919	(309,614)	–
to stage 3	(116,227)	(650,398)	766,625	–
Additions during the year	2,377,559	87,644	1,655,107	4,120,310
Written-off and transfers out during the year	–	–	(4,209,740)	(4,209,740)
Recoveries during the year	–	–	1,931,683	1,931,683
As at 31 December 2023	<u>17,125,680</u>	<u>5,416,324</u>	<u>6,891,885</u>	<u>29,433,889</u>
	Year ended 31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	12,704,188	4,212,745	7,914,569	24,831,502
Transfer:				
to stage 1	997,610	(951,037)	(46,573)	–
to stage 2	(635,650)	672,246	(36,596)	–
to stage 3	(105,531)	(1,598,263)	1,703,794	–
Additions during the year	1,215,239	3,910,878	2,586,862	7,712,979
Written-off and transfers out during the year	–	–	(7,064,831)	(7,064,831)
Recoveries during the year	–	–	2,111,986	2,111,986
As at 31 December 2022	<u>14,175,856</u>	<u>6,246,569</u>	<u>7,169,211</u>	<u>27,591,636</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Loans and advances to customers analysed by credit risk and ECL (Continued)

(b) Movements of ECL allowances on loans and advances to customers measured at fair value through other comprehensive income

	Year ended 31 December 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2023	12,532	–	1,000	13,532
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the year	<u>105,553</u>	<u>–</u>	<u>–</u>	<u>105,553</u>
As at 31 December 2023	<u>118,085</u>	<u>–</u>	<u>1,000</u>	<u>119,085</u>
	Year ended 31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	6,404	–	1,000	7,404
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the year	<u>6,128</u>	<u>–</u>	<u>–</u>	<u>6,128</u>
As at 31 December 2022	<u>12,532</u>	<u>–</u>	<u>1,000</u>	<u>13,532</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) *Loans and advances to customers analysed by credit risk and ECL (Continued)*

(b) Movements of ECL allowances on loans and advances to customers measured at fair value through other comprehensive income (Continued)

ECL allowances on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on loans and advances to customers measured at fair value through other comprehensive income held by the Group and the Bank and the basis for evaluating whether the credit risk has increased significantly, see Note IV 47(1).

17 FINANCIAL INVESTMENTS

		As at 31 December	
	Notes	2023	2022
Financial assets measured at fair value through profit or loss	(1)	110,774,968	65,835,694
Financial assets measured at fair value through other comprehensive income	(2)	166,235,752	106,005,356
– Debt instruments		164,925,901	105,372,759
– Equity instruments		1,309,851	632,597
Financial assets measured at amortised cost	(3)	321,772,087	401,141,674
Total		598,782,807	572,982,724

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

(1) Financial assets measured at fair value through profit or loss

By nature

	Notes	As at 31 December	
		2023	2022
Interbank deposit certificates		57,160,877	16,047,570
Funds		36,105,825	30,206,133
Debt securities	(a)	14,923,382	10,990,099
Asset management plans		755,842	7,346,424
Trust plans		747,852	970,824
Investment in wealth management products ("WMPs")		731,975	262,014
Other investments		349,215	12,630
Total		110,774,968	65,835,694
Analysed as:			
Listed outside Hong Kong		72,423,423	27,037,669
Unlisted		38,351,545	38,798,025
Total		110,774,968	65,835,694

(a) Debt securities analysed by type of issuers

	As at 31 December	
	2023	2022
Debt securities issued by:		
Financial institutions	7,347,529	7,924,928
Corporations	6,071,192	745,518
Government	862,930	727,612
Public sector and quasi-governments	641,731	1,592,041
Total	14,923,382	10,990,099

Bond investments in financial assets measured at fair value through profit or loss are all traded in bond market in mainland China.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

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

	Notes	As at 31 December	
		2023	2022
Debt instruments:			
Public sector and quasi-government bonds		76,178,520	72,155,976
Financial institutions bonds		44,283,746	14,330,377
Interbank deposit certificates		18,486,086	2,311,676
Government bonds		17,054,664	12,128,610
Corporate bonds		<u>8,922,885</u>	<u>4,446,120</u>
Subtotal	(a)	<u>164,925,901</u>	<u>105,372,759</u>
Equity instruments:			
Corporations		1,244,139	568,378
Banks and other financial institutions		<u>65,712</u>	<u>64,219</u>
Subtotal		<u>1,309,851</u>	<u>632,597</u>
Total		<u>166,235,752</u>	<u>106,005,356</u>
Analysed as:			
Listed outside Hong Kong	(b)	165,467,700	105,997,356
Unlisted		<u>768,052</u>	<u>8,000</u>
Total		<u>166,235,752</u>	<u>106,005,356</u>

(a) As at balance sheet date, part of the financial assets measured at fair value through other comprehensive income were pledged as collaterals for repurchase and other transactions, see Note IV 45(5).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

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

- (b) Debt instruments measured at fair value through other comprehensive income presented as “Listed outside Hong Kong” are traded in bond market in mainland China; equity instruments presented as “Listed outside Hong Kong” are all listed in mainland China.

Movements of ECL allowances on financial assets measured at fair value through other comprehensive income

	Year ended 31 December 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2023	11,160	–	–	11,160
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	<u>150,934</u>	<u>–</u>	<u>–</u>	<u>150,934</u>
As at 31 December 2023	<u><u>162,094</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>162,094</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

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

- (b) Debt instruments measured at fair value through other comprehensive income presented as “Listed outside Hong Kong” are traded in bond market in mainland China; equity instruments presented as “Listed outside Hong Kong” are all listed in mainland China. (Continued)

	Year ended 31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	610	–	–	610
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	10,550	–	–	10,550
As at 31 December 2022	11,160	–	–	11,160

ECL allowances on debt instruments measured at fair value through other comprehensive income is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on debt instruments measured at fair value through other comprehensive income held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note IV 47(1).

During the year ended 31 December 2023, there was no written-off of debt instruments measured at fair value through other comprehensive income held by the Group (During the year ended 31 December 2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

(3) Financial assets measured at amortised cost

	As at 31 December	
	2023	2022
Debt securities (analysed by type of issuers):		
Government bonds	186,675,740	175,704,316
Public sector and quasi-government bonds	62,273,765	65,122,341
Corporate bonds	36,473,890	45,365,814
Financial institutions bonds	<u>33,735,884</u>	<u>68,597,139</u>
Subtotal	319,159,279	354,789,610
Debt financing plans	2,976,947	13,811,167
Trust plans	2,538,135	4,022,227
Interbank deposit certificates	<u>–</u>	<u>30,833,976</u>
Gross balances	324,674,361	403,456,980
ECL allowances	<u>(2,902,274)</u>	<u>(2,315,306)</u>
Net balances	<u>321,772,087</u>	<u>401,141,674</u>
Analysed as:		
Listed outside Hong Kong	312,940,891	385,322,573
Listed in Hong Kong	142,163	141,651
Unlisted	<u>8,689,033</u>	<u>15,677,450</u>
Total	<u>321,772,087</u>	<u>401,141,674</u>

As at the balance sheet date, certain financial assets measured at amortised cost were pledged as collaterals in repurchase and other transactions, see Note IV 45(5).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS (Continued)

(3) Financial assets measured at amortised cost (Continued)

Movements of ECL allowances on financial assets measured at amortised cost

	Year ended 31 December 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
As at 1 January 2023	686,334	6,669	1,622,303	2,315,306
Transfer:				
to stage 1	6,669	(6,669)	–	–
to stage 2	(2,067)	2,067	–	–
to stage 3	–	–	–	–
Charge	18,724	40,487	861,770	920,981
Transfer out	–	–	(334,013)	(334,013)
As at 31 December 2023	<u>709,660</u>	<u>42,554</u>	<u>2,150,060</u>	<u>2,902,274</u>
	Year ended 31 December 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
As at 1 January 2022	1,188,701	8,948	1,067,837	2,265,486
Transfer:				
to stage 1	7,582	(7,582)	–	–
to stage 2	(995)	995	–	–
to stage 3	(31,567)	–	31,567	–
(Reverse)/Charge	<u>(477,387)</u>	<u>4,308</u>	<u>522,899</u>	<u>49,820</u>
As at 31 December 2022	<u>686,334</u>	<u>6,669</u>	<u>1,622,303</u>	<u>2,315,306</u>

For the ECL allowances on financial assets measured at amortised cost held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note IV 47(1).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investments in subsidiaries

As at 31 December 2023, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Joint stock company	Jiangsu	200	58.50%	58.50%	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Joint stock company	Sichuan	100	81.00%	81.00%	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Limited liability company	Yunnan	200	100.00%	100.00%	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Limited liability company	Yunnan	100	100.00%	100.00%	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Yunnan	100	81.00%	81.00%	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Guangxi	100	100.00%	100.00%	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Limited liability company	Fujian	100	93.00%	93.00%	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Limited liability company	Fujian	200	91.00%	91.00%	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Limited liability company	Yunnan	62	100.00%	100.00%	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Limited liability company	Fujian	100	93.50%	93.50%	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Limited liability company	Chongqing	2,500	80.00%	80.00%	Financial Leasing
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Limited liability company	Fujian	200	91.00%	91.00%	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Limited liability company	Yunnan	200	100.00%	100.00%	Banking
CQRC Wealth Management Co., Ltd.	28/06/2020	Limited liability company	Chongqing	2,000	100.00%	100.00%	Wealth Management

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investments in subsidiaries (Continued)

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Yunnan Xishan CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB20.15 million. The proportion of equity and voting rights in the Board of Directors increased by 10%.

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Fujian Shishi CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB81.93 million. The proportion of equity and voting rights in the Board of Directors increased by 40%.

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Fujian Pingtan CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB41.14 million. The proportion of equity and voting rights in the Board of Directors increased by 34.5%.

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Guangxi Luzhai CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB11.63 million. The proportion of equity and voting rights in the Board of Directors increased by 10%.

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB16.72 million. The proportion of equity and voting rights in the Board of Directors increased by 17.74%.

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Yunnan Dali CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB32.21 million. The proportion of equity and voting rights in the Board of Directors increased by 10%.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investments in subsidiaries (Continued)

For the year ended 31 December 2023, the Bank acquired additional interests from non-controlling shareholders of its subsidiaries Fujian Fu'an CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB13.12 million. The proportion of equity and voting rights in the Board of Directors increased by 6%.

In addition to the above matters, for the year ended 31 December 2023, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 31 December 2023 and 31 December 2022, the amount of non-controlling interests of each subsidiary of the Bank, individually or collectively, was insignificant to the Group and hence not disclosed further.

There was no significant restriction on the Bank's or its subsidiaries' ability to access or use its assets and settle its liabilities.

As at 31 December 2023, the Bank believes that there was no need to make provisions for impairment of investments in subsidiaries (As at 31 December 2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investments in associates

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Limited liability company	Chongqing	1,500	30.00	30.00	Consumer Finance

Details of the Group's interests in associates are as follows:

	As at 31 December	
	2023	2022
Investment cost:		
Non-listed	454,685	451,432
Proportion of the Group in consolidated income and other comprehensive income after deducting profit distribution	22,658	3,253
	<u>477,343</u>	<u>454,685</u>

The key financial information of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December	
	2023	2022
Total assets	<u>16,415,591</u>	<u>11,285,657</u>
	Year ended 31 December	
	2023	2022
Profit for the year	<u>75,528</u>	<u>10,842</u>

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investments in associates (Continued)

Investment income enjoyed by the Group is recognized according to the financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December	
	2023	2022
Net assets of associates	1,591,144	1,515,616
Share of entity interest	<u>30.00%</u>	<u>30.00%</u>
Shares of net assets of the Group in associates	<u>477,343</u>	<u>454,685</u>

There was no significant restriction on the associate's ability to remit funds to the Group in the form of cash dividends, or to repay loans or prepayments to the Group.

As at 31 December 2023, the Bank believes that there was no need to make provisions for impairment of investments in associates (As at 31 December 2022: Nil).

(3) The Group also consolidated structured entities as disclosed in Note IV 44 Structured Entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and Fixtures	Construction in progress	Total
Cost						
As at 1 January 2022	7,548,750	1,533,665	94,304	1,186,898	449,017	10,812,634
Additions	29,406	87,689	–	89,617	335,698	542,410
Transferred in/(out)	219,168	3,903	1,541	5,210	(271,905)	(42,083)
Reductions	<u>(84,749)</u>	<u>(49,689)</u>	<u>(10,793)</u>	<u>(58,247)</u>	<u>–</u>	<u>(203,478)</u>
As at 31 December 2022	7,712,575	1,575,568	85,052	1,223,478	512,810	11,109,483
Additions	69,622	177,312	–	457,906	193,881	898,721
Transferred in/(out)	273,831	21,176	11,627	16,356	(322,990)	–
Reductions	<u>(59,480)</u>	<u>(63,334)</u>	<u>(9,415)</u>	<u>(58,535)</u>	<u>(87,059)</u>	<u>(277,823)</u>
As at 31 December 2023	<u>7,996,548</u>	<u>1,710,722</u>	<u>87,264</u>	<u>1,639,205</u>	<u>296,642</u>	<u>11,730,381</u>
Accumulated depreciation						
As at 1 January 2022	(3,965,900)	(1,086,825)	(80,207)	(723,541)	–	(5,856,473)
Charge for the year	(412,499)	(177,700)	(3,063)	(97,080)	–	(690,342)
Reductions	<u>61,014</u>	<u>48,078</u>	<u>10,469</u>	<u>56,249</u>	<u>–</u>	<u>175,810</u>
As at 31 December 2022	(4,317,385)	(1,216,447)	(72,801)	(764,372)	–	(6,371,005)
Charge for the year	(417,599)	(164,428)	(3,529)	(116,450)	–	(702,006)
Reductions	<u>51,400</u>	<u>61,416</u>	<u>9,132</u>	<u>56,654</u>	<u>–</u>	<u>178,602</u>
As at 31 December 2023	<u>(4,683,584)</u>	<u>(1,319,459)</u>	<u>(67,198)</u>	<u>(824,168)</u>	<u>–</u>	<u>(6,894,409)</u>
Carrying amount						
As at 31 December 2023	<u>3,312,964</u>	<u>391,263</u>	<u>20,066</u>	<u>815,037</u>	<u>296,642</u>	<u>4,835,972</u>
As at 31 December 2022	<u>3,395,190</u>	<u>359,121</u>	<u>12,251</u>	<u>459,106</u>	<u>512,810</u>	<u>4,738,478</u>

As at 31 December 2023, the Bank believes that there was no need to make provisions for impairment of property and equipment (As at 31 December 2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 PROPERTY AND EQUIPMENT (Continued)

As at 31 December 2023, the Group had no significant amount of temporarily idle assets. (As at 31 December 2022: Nil).

According to relevant laws and regulations, the legal title of fixed assets previously held by the predecessor entity are to be transferred to the Bank, subsequent to the Bank's transformation into a joint stock company. As at 31 December 2023, the registration transfer process of certain properties have not been completed. Management believes that the incomplete registration transfer process does not affect the Bank's right to inherit these assets or adversely affect the Bank's operations.

As at 31 December 2023, the carrying amount of fixed assets leased out through operating leases in the course of the Group's leasing business was RMB677 million (As at 31 December 2022: RMB302 million).

20 RIGHT-OF-USE ASSETS

As at 31 December 2023, the right-of-use assets recognized by the Group mainly include operation buildings, and are mainly used for daily business. Depreciation expense for the year ended 31 December 2023 amounted to RMB66 million (For the year ended 31 December 2022: RMB62 million), and the accumulated depreciation as at 31 December 2023 amounted to RMB156 million (As at 31 December 2022: RMB123 million).

21 GOODWILL

	As at 31 December	
	2023	2022
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

As at 31 December 2023, based on assessment performed by the Bank, there was no impairment for the goodwill (As at 31 December 2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note IV 21 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2023 and 31 December 2022 allocated to these units are as follows:

	As at 31 December	
	2023	2022
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	97,176	97,176
Total	440,129	440,129

During the years ended 31 December 2023 and 31 December 2022, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The future cash flow used is free cash flow to equity (FCFE), discounted by the cost of equity capital of 8.56% (31 December 2022: free cash flow to firm (FCFF), discounted by the weighted average cost of capital of 9.93%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2023				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	43,750,286	10,601,703	–	–	10,601,703
Accrued and unpaid staff costs	3,032,660	749,955	(52,812)	(13,203)	736,752
Retirement benefits	1,041,488	260,234	–	–	260,234
Provision	504,372	126,093	–	–	126,093
Government grants	70,455	17,614	–	–	17,614
Adjustments of book value of assets and liabilities on the date of establishment	53,583	13,396	(152,600)	(38,150)	(24,754)
Changes in fair value of financial instruments	206,341	41,991	(725,172)	(181,293)	(139,302)
Depreciation expense and others	422,407	105,602	(568,624)	(142,156)	(36,554)
Total	49,081,592	11,916,588	(1,499,208)	(374,802)	11,541,786

	As at 31 December 2022				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	40,026,438	9,731,170	–	–	9,731,170
Accrued and unpaid staff costs	2,766,914	685,041	–	–	685,041
Retirement benefits	878,784	219,602	–	–	219,602
Provision	304,144	76,036	–	–	76,036
Government grants	73,052	18,263	–	–	18,263
Adjustments of book value of assets and liabilities on the date of establishment	73,332	18,333	(155,916)	(38,979)	(20,646)
Changes in fair value of financial instruments	536,148	134,037	–	–	134,037
Depreciation expense and others	211,628	52,907	(492,336)	(123,084)	(70,177)
Total	44,870,440	10,935,389	(648,252)	(162,063)	10,773,326

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION (Continued)

(2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Year ended 31 December 2023			
	1 January 2023	Recognised in profit or loss	Recognised in equity	31 December 2023
Deferred tax				
– ECL allowances	9,731,170	934,630	(64,097)	10,601,703
– Accrued and unpaid staff costs	685,041	51,711	–	736,752
– Retirement benefits	219,602	(7,037)	47,669	260,234
– Provision	76,036	50,057	–	126,093
– Government grants	18,263	(649)	–	17,614
– Adjustment of book value of assets and liabilities on the date of establishment	(20,646)	(4,108)	–	(24,754)
– Changes in fair value of financial instruments	134,037	9,460	(282,799)	(139,302)
– Depreciation expense and others	(70,177)	33,623	–	(36,554)
Total	10,773,326	1,067,687	(299,227)	11,541,786
	Year ended 31 December 2022			
	1 January 2022	Recognised in profit or loss	Recognised in equity	31 December 2022
Deferred tax				
– ECL allowances	8,495,790	1,239,574	(4,194)	9,731,170
– Accrued and unpaid staff costs	632,381	52,660	–	685,041
– Retirement benefits	244,937	(3,654)	(21,681)	219,602
– Provision	76,365	(329)	–	76,036
– Government grants	18,912	(649)	–	18,263
– Adjustment of book value of assets and liabilities on the date of establishment	(15,671)	(4,975)	–	(20,646)
– Changes in fair value of financial instruments	(185,182)	134,517	184,702	134,037
– Depreciation expense and others	(80,178)	10,001	–	(70,177)
Total	9,187,354	1,427,145	158,827	10,773,326

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 OTHER ASSETS

	Notes	As at 31 December	
		2023	2022
Other receivables	(1)	908,564	894,476
Pre-paid tax		449,979	76,822
Land use rights		330,000	354,825
Intangible assets	(2)	283,999	225,113
Interest receivable	(3)	34,097	26,576
Foreclosed assets	(4)	31,955	35,057
Others		38,808	21,366
Total		2,077,402	1,634,235

(1) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

(2) Intangible assets are mainly computer software which are amortised from 1 year to 10 years.

As at 31 December 2023, the proportion of the carrying amount of intangible assets arising from the Group's internal research and development projects to the total year-end carrying amount of intangible assets was not significant (As at 31 December 2022: Nil).

(3) Interest receivable

As at 31 December 2023 and 31 December 2022, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received as at the balance sheet date in interest receivable under other assets.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 OTHER ASSETS (Continued)

(4) Foreclosed assets

Analysed by type

	As at 31 December	
	2023	2022
Land use rights and buildings	35,503	38,970
Allowance for impairment losses	<u>(3,548)</u>	<u>(3,913)</u>
Total	<u>31,955</u>	<u>35,057</u>

25 BORROWINGS FROM CENTRAL BANK

As at 31 December 2023, borrowings from central bank mainly contain the medium-term lending facilities from PBOC, PBOC special refinancing and refinancing for supporting agricultural and small companies. As at 31 December 2023, the principal of the Bank's medium-term lending facilities from PBOC amounted to RMB55,500 million (As at 31 December 2022: RMB42,100 million).

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Analysed by location and type of counterparties:		
Deposits from domestic banks	3,637,780	3,045,425
Deposits from other domestic financial institutions	<u>52,285,916</u>	<u>48,799,042</u>
Total	<u>55,923,696</u>	<u>51,844,467</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market rate.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Analysed by location and type of counterparties:		
Placements from domestic banks	48,054,606	37,754,479
Placements from other domestic financial institutions	3,285,883	3,930,213
Total	51,340,489	41,684,692

28 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
Shares of combined structured entities belong to third party holders	8,647,320	3,175,481
Short selling of bonds	100,954	70,498
Total	8,748,274	3,245,979

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2023	2022
Analysed by collateral type:		
– Debt securities	40,746,323	17,996,016
– Bill	22,563,350	24,469,606
Total	63,309,673	42,465,622

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEPOSITS FROM CUSTOMERS

	Notes	As at 31 December	
		2023	2022
Demand deposits			
Corporate customers		95,349,857	104,856,775
Individual customers		145,705,680	145,893,555
Time deposits			
Corporate customers		46,493,197	36,225,155
Individual customers		601,472,318	531,457,655
Pledged deposits	(1)	7,171,896	6,504,592
Others (Including outward remittance and remittance outstanding)		9,282	9,022
Total		<u>896,202,230</u>	<u>824,946,754</u>

(1) Analysed by products for which pledged deposits are required:

	As at 31 December	
	2023	2022
Bank acceptances	5,247,430	4,611,922
Loans and receivables	1,241,861	1,223,568
Letters of credit	351,648	308,601
Letters of guarantee	39,383	67,428
Others	291,574	293,073
Total	<u>7,171,896</u>	<u>6,504,592</u>

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 ACCRUED STAFF COSTS

	Notes	As at 31 December	
		2023	2022
Salaries, bonuses and allowances		2,704,793	2,368,178
Supplementary retirement benefits	(1)	2,619,070	2,384,904
Labor union fees and staff education expenses		365,647	336,067
Early retirement benefits	(2)	75,810	103,960
Enterprise annuity	(3)	–	100,060
Total		<u>5,765,320</u>	<u>5,293,169</u>

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits. Supplemental retirement benefits include supplemental pensions and medical benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: Present value of the defined benefit plan liability is calculated with reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: Present value of the defined benefit plan liabilities are calculated with reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of actuarial valuation for supplementary retirement benefits were as follows:

	As at 31 December	
	2023	2022
Discount rate-supplementary retirement benefits	2.75%	3.25%
Discount rate-early retirement benefits	2.25%	2.50%
Annual growth rate of enterprise annuity payment	6.00%	6.00%
Annual average medical expense inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	Notes	As at 31 December	
		2023	2022
Service cost:			
– Current service cost		54,900	56,840
– Past service cost	(a)	1,320	1,740
Net interest expense		<u>76,260</u>	<u>77,600</u>
Components of supplementary retirement benefit costs recognised in profit or loss		<u>132,480</u>	<u>136,180</u>
Remeasurement of the net defined benefit liability:			
– Actuarial gains resulting from experience adjustments	(a)	(64,700)	(86,690)
– Actuarial losses arising from changes in financial assumptions		<u>255,550</u>	<u>–</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income		<u>190,850</u>	<u>(86,690)</u>
Total		<u><u>323,330</u></u>	<u><u>49,490</u></u>

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movements in present value of the supplementary retirement benefits in the current year were as follows:

	Notes	Year ended 31 December	
		2023	2022
Defined benefit obligation at the beginning of the year		2,384,904	2,426,844
Interest cost		76,260	77,600
Losses/(gains) arising from remeasurement of the defined benefit liability			
– Actuarial gains resulting from experience adjustments	(a)	(64,700)	(86,690)
– Actuarial losses arising from changes in actuarial assumptions		255,550	–
Current service cost		54,900	56,840
Past service cost	(a)	1,320	1,740
Benefits paid		(89,164)	(91,430)
Defined benefit obligation at the end of the year		<u>2,619,070</u>	<u>2,384,904</u>

- (a) The changes resulting from the plan amendments recognised in profit or loss in past service cost and the remeasurement of the net liabilities of the defined benefit plans are mainly caused by the actuarial difference of insurance premium.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Early retirement benefits include basic salary and allowances paid monthly/annually, social insurance premiums and housing funds, annuities and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staffs until they reach their normal retirement age. As early retired staffs no longer bring economic benefits to the Group, the accounting treatment of the Group's early retirement benefits provided to early retired staffs is in accordance with termination benefits.

For the year ended 31 December 2023, the Group incurred RMB7 million (year ended 31 December 2022: RMB11 million) and paid RMB35 million (year ended 31 December 2022: RMB43 million) in respect of the early retirement benefits plan.

(3) Enterprise annuity

According to the laws, regulations and rules, such as the Notice of Chongqing Human Resources and Social Security Bureau, Chongqing Finance Bureau on 'the implementation of the enterprise annuity measures' (Yurenshefa (2018) No. 133), the Opinions of Chongqing State-owned Assets Supervision and Administration Commission on the establishment of enterprise annuity by municipal key state-owned enterprises (Yuguozi [2018] No. 597), the Bank launched enterprise annuity in 2019, which applies to on-the-job contract employees, internally retired employees and regular employees of subsidiaries who retire on or after 1 January 2019 and voluntarily join the enterprise annuity plan.

There was no forfeited contribution available to reduce the contribution payable by the Group under the above plan.

32 DEBT SECURITIES ISSUED

(1) Debt securities issued analysed by type:

	As at 31 December	
	2023	2022
Interbank certificates of deposit issued	97,247,336	143,558,606
Bonds issued	<u>22,332,056</u>	<u>27,510,570</u>
Total	<u>119,579,392</u>	<u>171,069,176</u>

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued:

	Notes	Year ended 31 December 2023				
		Beginning Balance	Issued during the year	Paid during the year	Interest and Amortisation	Ending Balance
Interbank certificates of deposit issued	(b)	143,558,606	227,978,856	(277,310,000)	3,019,874	97,247,336
Bonds issued	(c)	27,510,570	6,996,887	(12,902,400)	726,999	22,332,056
Total		<u>171,069,176</u>	<u>234,975,743</u>	<u>(290,212,400)</u>	<u>3,746,873</u>	<u>119,579,392</u>

	Notes	Year ended 31 December 2022				
		Beginning Balance	Issued during the year	Paid during the year	Interest and Amortisation	Ending Balance
Interbank certificates of deposit issued	(b)	202,866,702	219,371,099	(282,530,000)	3,850,805	143,558,606
Bonds issued	(c)	22,387,708	6,997,906	(2,668,100)	793,056	27,510,570
Total		<u>225,254,410</u>	<u>226,369,005</u>	<u>(285,198,100)</u>	<u>4,643,861</u>	<u>171,069,176</u>

- (a) As at 31 December 2023, none of the above debt securities issued are in default (As at 31 December 2022: None in default).
- (b) As at 31 December 2023, there were 92 outstanding interbank deposit certificates issued by the Group and the Bank with maximum maturity of 366 days. (As at 31 December 2022: there were 162 outstanding interbank deposit certificates issued by the Group and the Bank with maximum maturity of 365 days.)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 DEBT SECURITIES ISSUED (Continued)

(2) *Movements of debt securities issued: (Continued)*

(c) As at the balance sheet date, details of bonds issued by the Group are shown as follows:

	Notes	As at 31 December	
		2023	2022
Fixed rate financial bond for “agriculture, rural areas and farmers” maturing in January 2023	(i)	–	2,061,884
Fixed rate financial bond maturing in March 2023	(ii)	–	8,184,089
Fixed rate green financial bond maturing in November 2023	(iii)	–	2,010,055
Fixed rate green financial bond maturing in June 2024	(iv)	3,055,796	3,055,391
Fixed rate financial bond maturing in July 2025	(v)	5,070,190	5,069,842
Fixed rate green financial bond maturing in December 2025	(vi)	2,003,143	2,003,730
Fixed rate financial bond for “agriculture, rural areas and farmers” maturing in April 2026	(vii)	2,039,052	–
Fixed rate financial bond for maturing in September 2026	(viii)	5,037,991	–
Tier-two capital fixed rate bond maturing in June 2029	(ix)	5,125,884	5,125,579
Total		22,332,056	27,510,570

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued: (Continued)

- (c) As at the balance sheet date, details of bonds issued by the Group are shown as follows:
(Continued)
- (i) On 9 January 2020, the Bank issued a three-year fixed rate financial bond for “agriculture, rural areas and farmers”, with a coupon rate of 3.20%, payable annually.
 - (ii) On 12 March 2020, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.89%, payable annually.
 - (iii) On 5 November 2020, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.60%, payable annually.
 - (iv) On 3 June 2021, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.29%, payable annually.
 - (v) On 5 July 2022, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.93%, payable annually.
 - (vi) On 6 December 2022, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.00%, payable annually.
 - (vii) On 24 April 2023, the Bank issued a three-year fixed rate financial bond for “agriculture, rural areas and farmers”, with a coupon rate of 2.90%, payable annually.
 - (viii) On 19 September 2023, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.80%, payable annually.
 - (ix) On 13 June 2019, the Bank issued a 10-year tier-two capital fixed rate bonds with a coupon rate of 4.60%, payable annually. The Bank has an option to redeem all of the bond at face value on 14 June 2024 if specified redemption conditions stipulated in the offering documents are met, subject to regulatory approval. The tier-two capital bond has the write-down feature, which allows the Bank to write down the entire principals of the bond when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER LIABILITIES

	Notes	As at 31 December	
		2023	2022
Other payables	(1)	6,744,819	7,250,668
Notes payable		844,417	490,353
Provision	(2)	504,749	304,144
Tax payable (excluding corporate income tax payable)	(3)	406,906	466,533
Deferred income	(4)	290,667	519,945
Contract liabilities		68,478	24,749
Dividends payable		43,202	43,073
Total		8,903,238	9,099,465

(1) Other payables

	Notes	As at 31 December	
		2023	2022
Leasing business related payables		4,341,154	3,709,211
Payables from providing agency services		882,534	2,354,433
Items in process of clearing and settlement		377,870	322,196
Accrued expenses		250,279	254,631
Long term loans	(a)	31,331	32,898
Others		861,651	577,299
Total		6,744,819	7,250,668

- (a) The amount represents special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support petty loans in the PRC.

As at 31 December 2023 and 31 December 2022, the loans bear a fixed interest rate of 0.75% per annum. As at 31 December 2023, these loans have 20 years to maturity with similar terms with related loans granted to customers.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER LIABILITIES (Continued)

(2) Provision

	Notes	As at 31 December	
		2023	2022
ECL allowances for loan commitments	(a)	407,823	191,738
Others		96,926	112,406
Total		504,749	304,144

(a) ECL allowances for loan commitments

	Year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	152,252	29,549	9,937	191,738
Transfer:				
to stage 1	2,729	(543)	(2,186)	–
to stage 2	(8)	14	(6)	–
to stage 3	(10)	(148)	158	–
Charge	189,839	24,871	1,375	216,085
As at 31 December 2023	<u>344,802</u>	<u>53,743</u>	<u>9,278</u>	<u>407,823</u>

	Year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	132,773	61,412	7,687	201,872
Transfer:				
to stage 1	935	(295)	(640)	–
to stage 2	(12)	12	–	–
to stage 3	(11)	(385)	396	–
Charge/(Reverse)	18,567	(31,195)	2,494	(10,134)
As at 31 December 2022	<u>152,252</u>	<u>29,549</u>	<u>9,937</u>	<u>191,738</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER LIABILITIES (Continued)

(3) Tax payable (excluding corporate income tax payable)

	As at 31 December	
	2023	2022
Value added tax	350,322	414,246
Urban maintenance and construction tax	26,976	24,086
Individual income tax	5,106	7,320
Others	24,502	20,881
Total	406,906	466,533

(4) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December	
	2023	2022
Deferred leasing income	221,463	448,165
Government grants	69,204	71,780
Total	290,667	519,945

34 SHARE CAPITAL

	As at 31 December	
	2023	2022
Listed domestically (A shares), with par value of RMB1.00 per share	8,843,664	8,843,664
Listed overseas (H shares), with par value of RMB1.00 per share	2,513,336	2,513,336
Share capital	11,357,000	11,357,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2023	2022
Perpetual bonds	<u>5,997,648</u>	<u>5,997,648</u>

(1) *Perpetual bonds outstanding at the end of the year:*

Financial instruments issued	Issue date	Accounting classification	Original interest	Issue price (Yuan)	Amount in shares (in millions)	In RMB (in millions)	Maturity	Conversion conditions	Conversion status
2021 Perpetual bond in RMB	24/08/2021	Equity	4.00%	100	40	4,000	No fixed maturity date	N/A	N/A
2022 Perpetual bond in RMB	28/04/2022	Equity	3.90%	100	20	2,000	No fixed maturity date	N/A	N/A
Less: Issuance costs						(2)			
Carrying amount						<u>5,998</u>			

(2) *Main clauses*

The Bank issued perpetual bond with the amount of RMB2 billion in the national interbank bond market on 28 April 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.90%.

The Bank issued perpetual bond with the amount of RMB4 billion in the national interbank bond market on 24 August 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.00%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER EQUITY INSTRUMENTS (Continued)

(2) Main clauses (Continued)

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-one capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down in whole or in part, without the need for the consent of the holders of the bonds. The bonds are written down according to the proportion of their outstanding par value in the total outstanding par value of all other tier-one capital instruments with the same trigger event.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER EQUITY INSTRUMENTS (Continued)

(3) Statement of changes in perpetual bonds outstanding at the end of the year

	Beginning Balance		Changed during the year		Ending Balance	
	Amount (In millions)	Book value (In thousand Yuan)	Amount (In millions)	Book value (In thousand Yuan)	Amount (In millions)	Book value (In thousand Yuan)
Financial instruments in issued						
2021 perpetual bonds in RMB	40	3,998,338	-	-	40	3,998,338
2022 perpetual bonds in RMB	20	1,999,310	-	-	20	1,999,310
Total	60	5,997,648	-	-	60	5,997,648

(4) Equity attributable to equity instrument holders

	As at 31 December	
	2023	2022
Total equity attributable to equity holders of the parent company	122,173,769	113,723,522
Equity attributable to ordinary equity holders of the parent company	116,176,121	107,725,874
Equity attributable to other equity holders of the parent company	5,997,648	5,997,648
Total equity attributable to non-controlling interests	1,767,981	1,732,759
Equity attributable to non-controlling interests of ordinary shares	<u>1,767,981</u>	<u>1,732,759</u>

Dividends paid to other equity instrument holders by the Bank, please refer to the Note IV 40.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

The acquisition of additional interests from the non-controlling shareholders of its subsidiaries is equity transaction. The capital premium of discount amount was charged to capital reserve.

Capital reserve of the Bank included premium of RMB910 million from the placement of ordinary shares in 2010, premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock Exchange in 2010, premium of RMB3,291 million from the placement of ordinary shares in 2017, and premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. Equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2022	261,014	(65,254)	195,760
Fair value (losses)/gains for the year Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(556,924)	139,231	(417,693)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(165,106)	41,277	(123,829)
As at 31 December 2022	(461,016)	115,254	(345,762)
Fair value (losses)/gains for the year Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	1,792,073	(448,018)	1,344,055
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(404,489)	101,122	(303,367)
As at 31 December 2023	926,568	(231,642)	694,926

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 SURPLUS RESERVE

Under the relevant PRC Laws, the Bank and its subsidiaries are required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2023, the Bank proposed to appropriate approximately RMB980 million to the statutory surplus reserve (For the year ended 31 December 2022: RMB911 million). For the year ended 31 December 2023, the Bank did not make any appropriation to discretionary surplus reserve (For the year ended 31 December 2022: Nil).

39 GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the allowances for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the year ended 31 December 2023, the Bank transferred RMB1,124 million to general reserve pursuant to the regulatory requirement (For the year ended 31 December 2022: RMB1,666 million).

The Group's general reserve also includes other general reserve made by the Bank's subsidiaries in accordance with the applicable regulations of their respective industries.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	As at 31 December	
	2023	2022
Retained earnings at the beginning of the year	44,675,479	40,306,220
Profit for the year	10,902,355	10,275,574
Appropriation to surplus reserve	(980,417)	(911,137)
Appropriation to general reserve	(1,268,783)	(1,967,535)
Dividends paid to ordinary equity holders	(3,082,290)	(2,867,643)
Dividends paid to other equity instrument holders	(238,000)	(160,000)
	<u>50,008,344</u>	<u>44,675,479</u>

41 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December	
	2023	2022
Cash	3,086,789	3,093,479
Surplus reserve deposits with central bank	6,047,798	2,671,483
Deposits with banks and other financial institutions	13,786,582	10,037,939
Placements with banks and other financial institutions	8,998,857	7,450,000
Financial assets held under resale agreements	11,290,392	8,265,441
Total	<u>43,210,418</u>	<u>31,518,342</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decisionmaker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include current account, deposits, overdraft, loans, trade related products, other types of credit services and foreign currency services.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS (Continued)

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's financial market operations segment conducts money market or repurchase transactions. The operating results of this segment include the impact of profit or loss on internal fund surpluses or shortages between segments due to interest-bearing assets and interest-bearing liabilities.

Unallocated

Unallocated include other businesses not included in the above reporting segments or businesses that cannot be allocated on a reasonable basis, including equity investment businesses and income tax expense.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS (Continued)

	Year ended 31 December 2023					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	15,275,532	14,668,942	19,942,589	49,887,063	–	49,887,063
External interest expense	(2,161,984)	(14,328,543)	(9,903,427)	(26,393,954)	–	(26,393,954)
Net inter-segment interest (expense)/income	(4,550,344)	11,094,510	(6,544,166)	–	–	–
Net interest income	8,563,204	11,434,909	3,494,996	23,493,109	–	23,493,109
Fee and commission income	444,817	1,079,598	711,444	2,235,859	–	2,235,859
Fee and commission expense	(19,478)	(369,822)	(55,271)	(444,571)	–	(444,571)
Net fee and commission income	425,339	709,776	656,173	1,791,288	–	1,791,288
Net trading gains	–	–	1,886,356	1,886,356	–	1,886,356
Share of profits of associates	–	–	–	–	22,658	22,658
Other operating income, net	177,063	192,730	79,238	449,031	25,488	474,519
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	–	243,816	243,816	–	243,816
Net gains on derecognition of financial assets measured at amortised cost	–	–	45,417	45,417	–	45,417
Operating income	9,165,606	12,337,415	6,405,996	27,909,017	48,146	27,957,163
Operating expenses	(2,805,214)	(4,687,567)	(2,327,233)	(9,820,014)	–	(9,820,014)
Credit impairment losses	(924,298)	(3,592,765)	(1,424,213)	(5,941,276)	–	(5,941,276)
Profit before tax	5,436,094	4,057,083	2,654,550	12,147,727	48,146	12,195,873
Income tax expense	–	–	–	–	(1,070,721)	(1,070,721)
Profit for the year	5,436,094	4,057,083	2,654,550	12,147,727	(1,022,575)	11,125,152
Depreciation and amortisation included in operating expenses	282,884	383,418	190,355	856,657	–	856,657
Capital expenditure	296,041	494,691	245,599	1,036,331	–	1,036,331

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS (Continued)

	As at 31 December 2023					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
Segment assets	<u>335,008,162</u>	<u>278,136,025</u>	<u>810,268,113</u>	<u>1,423,412,300</u>	<u>18,109,772</u>	<u>1,441,522,072</u>
Segment liabilities	<u>156,940,069</u>	<u>750,845,802</u>	<u>407,840,958</u>	<u>1,315,626,829</u>	<u>1,953,493</u>	<u>1,317,580,322</u>
Supplementary information						
– Credit commitments	<u>15,387,795</u>	<u>27,898,120</u>	<u>–</u>	<u>43,285,915</u>	<u>–</u>	<u>43,285,915</u>

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS (Continued)

	Year ended 31 December 2022					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	14,574,055	15,746,524	20,937,216	51,257,795	–	51,257,795
External interest expense	(2,107,895)	(13,495,396)	(10,250,266)	(25,853,557)	–	(25,853,557)
Net inter-segment interest (expense)/income	(3,630,388)	9,173,100	(5,542,712)	–	–	–
Net interest income	8,835,772	11,424,228	5,144,238	25,404,238	–	25,404,238
Fee and commission income	409,835	878,161	1,038,750	2,326,746	–	2,326,746
Fee and commission expense	(66,552)	(290,204)	(56,786)	(413,542)	–	(413,542)
Net fee and commission income	343,283	587,957	981,964	1,913,204	–	1,913,204
Net trading gains	–	–	687,446	687,446	–	687,446
Share of profits of associates	–	–	–	–	3,253	3,253
Other operating income, net	132,640	163,022	148,116	443,778	19,587	463,365
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	–	404,612	404,612	–	404,612
Net gains on derecognition of financial assets measured at amortised cost	–	–	65,203	65,203	–	65,203
Operating income	9,311,695	12,175,207	7,431,579	28,918,481	22,840	28,941,321
Operating expenses	(2,592,055)	(4,583,697)	(2,364,747)	(9,540,499)	–	(9,540,499)
Credit impairment losses	(4,785,605)	(2,935,508)	(119,378)	(7,840,491)	–	(7,840,491)
Impairment losses on other assets	(333)	–	–	(333)	–	(333)
Profit before tax	1,933,702	4,656,002	4,947,454	11,537,158	22,840	11,559,998
Income tax expense	–	–	–	–	(1,082,154)	(1,082,154)
Profit for the year	1,933,702	4,656,002	4,947,454	11,537,158	(1,059,314)	10,477,844
Depreciation and amortisation included in operating expenses	247,960	377,472	194,738	820,170	–	820,170
Capital expenditure	165,966	293,488	151,412	610,866	–	610,866

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 SEGMENT ANALYSIS (Continued)

	As at 31 December 2022					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
Segment assets	<u>302,497,218</u>	<u>272,534,943</u>	<u>760,113,089</u>	<u>1,335,145,250</u>	<u>17,155,995</u>	<u>1,352,301,245</u>
Segment liabilities	<u>156,094,867</u>	<u>680,483,536</u>	<u>398,231,314</u>	<u>1,234,809,717</u>	<u>2,035,247</u>	<u>1,236,844,964</u>
Supplementary information						
- Credit commitments	<u>12,820,123</u>	<u>25,118,064</u>	<u>-</u>	<u>37,938,187</u>	<u>-</u>	<u>37,938,187</u>

There was no significant transactions with a single external customer that the Group mainly relied on.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) *Information about subsidiaries of the Bank*

Information about subsidiaries of the Bank is disclosed in Note IV 18(1).

(2) *Information about associates of the Bank*

Information about insignificant associates of the Bank is disclosed in Note IV 18(2).

(3) *Related parties with no controlling relationship*

There are certain related party transactions between the Bank and related parties with no controlling relationship. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are assessed based on transaction type and approved by corresponding decision-making authority.

Principal shareholders identified as related parties of the Bank

The names and share of equity interests of shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management are as follows:

Name of shareholders	Notes	As at 31 December	
		2023	2022
Chongqing Yufu Capital Operation Group Co., Ltd. ("Yufu Group") 重慶渝富資本運營集團有限公司		8.70%	8.70%
Chongqing City Construction Investment (Group) Co., Ltd. ("City Investment Group") 重慶市城市建設投資(集團)有限公司		7.02%	7.02%
Chongqing Development and Real Estate Management Co., Ltd. ("Development and Real Estate Company") 重慶發展置業管理有限公司	(a)	5.19%	5.19%
Chongqing Development Investment Co., Ltd. ("Development Investment Company") 重慶發展投資有限公司	(a)	4.02%	3.81%
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. 上海豫園旅遊商城(集團)股份有限公司		1.33%	1.33%
Loncin Holdings Co., Ltd. ("Loncin Holdings") 隆鑫控股有限公司	(a)	1.20%	1.20%
Xiamen Huishanghong Equity Investment Co., Ltd. 廈門市匯尚泓股權投資有限公司	(b)	0.98%	1.66%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Related parties with no controlling relationship (Continued)

Principal shareholders identified as related parties of the Bank (Continued)

- (a) Loncin Holdings originally held 570 million restricted shares of the Bank, accounting for 5.02% of the total share capital of the Bank. As at 22 December 2022, 433 million restricted shares of the Bank held by Loncin Holdings were transferred by the Fifth Intermediate People's Court of Chongqing Municipality to Development Investment Company, and the number of judicially transferred shares accounted for 3.81% of the total share capital of the Bank. Thereafter, Loncin Holdings held 137 million shares of the Bank, and its shareholding ratio dropped to 1.20%. As at 31 December 2023, Loncin Holdings has no longer significant influence on the Bank's operation and management.

Development and Real Estate Company, a wholly-owned subsidiary of Development Investment Company, is a Principal shareholder of the Bank, holding 589 million shares of the Bank, accounting for 5.19% of the total share capital of the Bank. After the judicial transfer, Development and Real Estate Company and its persons-acting-in-concert Development Investment Company hold a total of 1,022 million shares of the Bank, accounting for 9.00% of the total share capital of the Bank.

In December 2023, Development Investment Company purchased 24 million H-shares of the Bank, accounting for 0.21% of the total share capital of the Bank. As at 31 December 2023, Development and Real Estate Company and its persons-acting-in-concert Development Investment Company hold a total of 1,046 million shares of the Bank, accounting for 9.21% of the total share capital of the Bank.

- (b) Xiamen Gaoxinhong Equity Investment Co., Ltd. changed its name to Xiamen Huishanghong Equity Investment Co., Ltd. on 1 April 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions

The amounts of significant transactions, significant transaction balances and significant off balance sheet items between the Group and its related parties as at the balance sheet date were as follows:

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the year ended 31 December 2023:							
Interest income	365,042	92,097	102,863	16,260	2,931	579,193	1.16%
Interest expense	(131,170)	(5,039)	(29,444)	(193,033)	(5,772)	(364,458)	1.38%
Fee and commission income	7,400	4	213	14	4	7,635	0.34%
Net trading gains	2,136	273	-	(4,210)	-	(1,801)	(0.10%)
Other comprehensive income	19,217	85	19,344	(53,575)	-	(14,929)	(1.66%)
Significant transaction balances as at 31 December 2023:							
Deposits with banks and other financial institutions							
	-	2	-	1,134,987	-	1,134,989	7.34%
Derivative financial assets	778	-	87	4,057	-	4,922	23.54%
Loans and advances to customers	11,043,621	2,812,860	2,294,193	-	93,880	16,244,554	2.40%
Financial assets measured at amortised cost							
	-	111,607	153,557	258,258	-	523,422	0.16%
Financial assets measured at fair value through other comprehensive income							
	1,640,283	231,162	921,757	402,084	-	3,195,286	1.92%
Placements from banks and other financial institutions							
	(613,620)	(100,930)	-	(800,507)	-	(1,515,057)	2.95%
Derivative financial liabilities	(778)	-	(87)	-	-	(865)	5.74%
Deposits from customers	(4,477,448)	(91,845)	(1,443,436)	(662,514)	(117,754)	(6,792,997)	0.76%
Debt securities issued	-	-	-	(7,650,000)	-	(7,650,000)	6.40%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions (Continued)

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
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Significant off-balance sheet items as
at 31 December 2023:

Unutilised credit card facilities	-	-	-	-	397,937	397,937	1.43%
Letters of guarantee	55,000	400,000	-	-	-	455,000	28.43%
The balance of the loan guaranteed by related guarantee companies	6,149,183	-	194,269	-	-	6,343,452	0.94%
The balance of financial investments guaranteed by related guarantee companies	2,106,820	-	-	-	-	2,106,820	0.35%
Related parties' investment in WMPs issued by the Group	9,679	-	-	-	334,881	344,560	0.29%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions (Continued)

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the year ended 31 December 2022:								
Interest income	216,830	122,268	50,063	36,804	18,290	3,531	447,786	0.87%
Interest expense	(65,082)	(10,565)	(38,365)	(5,662)	(141,716)	(4,389)	(265,779)	1.03%
Fee and commission income	6,721	5	443	71	11	9	7,260	0.31%
Net trading gains	41,487	-	-	-	-	-	41,487	6.03%
Other comprehensive income	(17,579)	-	(14,874)	-	(146,141)	-	(178,594)	37.48%
Significant transaction balances as at 31 December 2022:								
Deposits with banks and other financial institutions	-	-	-	-	939,569	-	939,569	7.80%
Derivative financial assets	-	-	-	-	348	-	348	2.13%
Loans and advances to customers	6,104,083	2,338,207	1,437,029	606,370	5,008	66,764	10,557,461	1.67%
Financial assets measured at fair value through profit or loss	708,936	-	-	-	-	-	708,936	1.08%
Financial assets measured at amortised cost	-	651,482	-	-	541,747	-	1,193,229	0.30%
Financial assets measured at fair value through other comprehensive income	56,219	-	400,265	-	854,316	-	1,310,800	1.24%
Deposits from banks and other financial institutions	(56,566)	-	-	-	-	-	(56,566)	0.11%
Deposits from customers	(2,512,509)	(658,162)	(1,125,118)	(714,109)	(690,243)	(100,061)	(5,800,202)	0.70%
Debt securities issued	-	-	-	-	(2,800,000)	-	(2,800,000)	1.64%
Significant off-balance sheet items as at 31 December 2022:								
Unutilised credit card facilities	-	-	-	-	-	303,420	303,420	1.21%
Entrusted lending arrangements	-	-	-	47,000	-	-	47,000	1.19%
The balance of the loan guaranteed by related guarantee companies	16,341,109	-	-	235,035	-	-	16,576,144	2.62%
The balance of financial investments guaranteed by related guarantee companies	3,154,000	-	-	89,400	-	-	3,243,400	0.57%
Related parties' investment in WMPs issued by the Group	5,000	-	-	-	-	196,975	201,975	0.15%

The above transactions with related parties were conducted on normal commercial terms and in the normal course of business and were priced in accordance with the principles of transactions with independent third parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Key management personnel remuneration

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31 December	
	2023	2022
Paid remuneration (before tax)	2,592	2,496
Part-time fee	1,095	1,080
Retirement plan contributions	910	889
Others	252	232
Total	4,849	4,697

Key management personnel remuneration refers to paid remuneration to directors and key management personnel in the current year approved in accordance with internal and external management requirements, including basic annual salary and advance performance salary for the year ended 31 December 2023 that was paid in accordance with external regulatory requirements.

Certain key management personnel's final emoluments for the year ended 31 December 2023 have not been finalised on report date as required by relevant authorities. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the year ended 31 December 2023.

For the year ended 31 December 2023, both the loans made to key management personnel and their relatives, and the corresponding interest income were not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(6) Transactions between the Bank and its subsidiaries

Amounts of significant transactions between the Bank and its subsidiaries during the reporting period were as follows:

	Year ended 31 December	
	2023	2022
Interest income	188,722	158,522
Interest expense	(2,101)	(16,107)

For the year ended 31 December 2023 and the year ended 31 December 2022, transactions between the Bank and its subsidiaries other than the transactions above were not significant.

Amounts of significant transaction balances between the Bank and its subsidiaries as at the balance sheet date were as follows:

	As at 31 December	
	2023	2022
Deposits with banks and other financial institutions	1,282,785	1,221,130
Placements with banks and other financial institutions	7,251,131	6,251,133
Deposits from banks and other financial institutions	(1,281,143)	(1,219,739)

For the year ended 31 December 2023 and the year ended 31 December 2022, outstanding balances between the Bank and its subsidiaries other than the balances above were not significant.

All intra-group transactions and balances have been off set when preparing the consolidated financial statements.

As at 31 December 2023 and 31 December 2022, the principal balance of WMPs issued by the Bank's subsidiary and purchased by the Bank amounted to RMB4,174 million and RMB6,000 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) Transactions between the Group and its associates

As at 31 December 2023, the Group's related party transactions with associates mainly included deposits from associates amounting to RMB228 million.

As at 31 December 2022, the Group's related party transactions with associates mainly included deposits from associates amounting to RMB170 million.

(8) Transactions with enterprise annuity plan

In addition to contributions to the Group's enterprise annuity fund, no related party transactions have been made during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 STRUCTURED ENTITIES

- (1) *Rights and interests in unconsolidated structured entities initiated and established by the Group*

Structured entities initiated and established by the Group that are not included in the scope of the consolidated financial statements mainly comprise wealth management products (“WMPs”) issued by the Group. The nature and purpose of these structured entities are mainly to manage investors’ assets and receive management fees, which are financed by issuing investment products to investors. The Group’s rights and interests in these unconsolidated structured entities mainly consists of holding investments directly or receiving income from management fees through the management of these structured entities. As at 31 December 2023, the overall size of outstanding unconsolidated WMPs initiated and established by the Group was RMB109,564 million (As at 31 December 2022: RMB130,335 million). The management fee income received by the Group from the aforesaid WMPs amounted to RMB227 million for the year ended 31 December 2023 (For the year ended 31 December 2022: RMB462 million).

There was no contractual liquidity arrangement, guarantee or other commitment among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above for the year ended 31 December 2023 and the year ended 31 December 2022. The Group is not required to absorb any loss incurred by WMPs before other parties.

The WMPs issued by the Group did not cause losses to the interests of the Group, nor did they encounter financial difficulties for the year ended 31 December 2023 and the year ended 31 December 2022.

- (2) *Unconsolidated structured entities held by the Group*

The Group invests in a number of other unconsolidated structured entities which are issued or managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 31 December 2023 and 31 December 2022, the Group’s maximum risk exposure from these unconsolidated structured entities is summarised in the table below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group (Continued)

	As at 31 December 2023			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Asset-backed securities	–	24,528,045	1,974,648	26,502,693
Funds	34,986,334	–	–	34,986,334
Asset management plans and trust plans	1,503,694	388,075	–	1,891,769
Investments in WMPs	731,975	–	–	731,975
Other investments	10,051	–	760,052	770,103
Total	37,232,054	24,916,120	2,734,700	64,882,874

	As at 31 December 2022			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Asset-backed securities	–	63,773,961	863,920	64,637,881
Funds	28,933,676	–	–	28,933,676
Asset management plans and trust plans	8,317,248	2,375,750	–	10,692,998
Investments in WMPs	262,014	–	–	262,014
Total	37,512,938	66,149,711	863,920	104,526,569

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group (Continued)

The underlying assets of trust plans and asset-backed securities primarily include trust loans and credit assets. The underlying assets of funds, asset management plans and WMPs primarily include interbank assets and bonds. Asset-backed securities were all issued by financial institutions. Other investments were primarily foreclosed assets acquired in connection with debt restructuring.

(3) Consolidated structured entities

The Group managed or invested in several structured entities, including funds, asset management plans, trust plans, WMPs and asset-backed securities. The Group mainly assesses its overall economic interests (including the expected return from direct ownership and management fee) in the structured entities and its decision-making rights covered through its involvement in the decisions on the establishment of the structured entities and relevant contract arrangements. If the Group has power over a structured entity and variable returns and the ability to use that power to affect its returns from the structured entity through arrangements such as investment contracts, then the Group believes that it has control over the structured entity and include it in the consolidated financial statements. If the Group has no substantive power over principal activities of a structured entity, or enjoys immaterial economic interests and thus acts as an agent rather than a principal, the Group does not need to include it in the consolidated financial statements.

The Group's consolidated structured entities included certain funds, asset management plans and certain WMPs issued by CQRC Wealth Management Co., Ltd., held by the Group. As at 31 December 2023, the Group's consolidated structured entities amounted to RMB25,933 million (As at 31 December 2022: RMB21,380 million). The group included these investments and corresponding liabilities in the corresponding financial assets and financial liabilities based on their nature according to the accounting policies of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

The Group has certain legal proceedings in its normal business. As at 31 December 2023, the carrying amount of contingent liabilities estimated based on court judgment or advice of legal counsel was RMB1.85 million (As at 31 December 2022, the carrying amount of contingent liabilities estimated based on court judgment or advice of legal counsel was RMB4.36 million). As final results of these lawsuits are uncertain, management of the Group believes final results of these lawsuits will not have a material impact on the financial position or operations of the Group after consulting with legal counsel.

(2) Capital commitments

	As at 31 December	
	2023	2022
Approved but not contracted or provided for	<u>414,624</u>	<u>585,580</u>

(3) Loan commitments

Loan commitments include unutilised credit card facilities, issued acceptances, financial guarantees and letters of credit.

The amount of credit card facilities represents the amount when unutilised credit card facilities are fully drawn. Acceptances represent commitments of the Group to pay acceptances issued by customers. The Group expects most acceptances to be settled simultaneously with reimbursements from customers. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(3) Loan commitments (Continued)

As credit card facilities may not be utilised before expiration, the amounts set out in the following table do not represent expected future cash outflows.

	As at 31 December	
	2023	2022
Unutilised credit card facilities	27,898,120	25,118,064
Acceptances	11,051,344	9,490,259
Letters of credit issued	2,736,008	2,990,636
Letters of guarantee	1,600,443	339,228
Total	43,285,915	37,938,187

The Group grants loan commitments to specific customers. The directors of the Group are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitment's disclosure above.

Credit risk weighted amount of loan commitments

	As at 31 December	
	2023	2022
Loan commitments	12,266,527	13,286,089

Credit risk-weighted amount of loan commitments are calculated in accordance with guidelines issued by NFRA based on, among other things, the counterparty's credit worthiness and maturity. Contingent liabilities and loan commitments are subject to risk weights ranging from 0% to 100%.

(4) Operating lease commitments

As at the balance sheet date, the Group's operating lease commitments not recognized as lease liabilities were not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(5) Collaterals

Assets pledged as collaterals

The carrying amounts of assets pledged by the Group as collaterals and respective liabilities were as follows:

	As at 31 December 2023		As at 31 December 2022	
	Collaterals	Liabilities	Collaterals	Liabilities
Bonds	171,231,094	151,012,190	125,605,969	108,569,421
Bills	<u>22,557,512</u>	<u>22,563,350</u>	<u>24,528,431</u>	<u>24,469,606</u>
Total	<u>193,788,606</u>	<u>173,575,540</u>	<u>150,134,400</u>	<u>133,039,027</u>

Collaterals accepted

As part of the repurchase agreements, the Group has accepted collateral that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2023, the fair value of collateral accepted by the Group mentioned above amounted to RMB207 million (31 December 2022: RMB207 million). As at 31 December 2023 and 31 December 2022, the Group had sold or re-pledged, but was obligated to return all the collateral mentioned above. These transactions are conducted under standard terms in the normal course of business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(6) Bond underwriting commitments and redemption obligations

The Group and the Bank did not have any irrevocable bond underwriting commitment as at the balance sheet date.

As an underwriting agent of PRC government bonds, the Group has the obligation to buy back if bond holders decided to redeem the bonds before maturity. The redemption price is the principal value of the Bonds plus unpaid interest till redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by Ministry of Finance or PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations of the Group for government bonds sold but not yet matured as at the balance sheet date based on their principal value were as follows:

	As at 31 December	
	2023	2022
Redemption obligations	<u>6,845,294</u>	<u>5,393,896</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 TRANSFER OF FINANCIAL ASSETS

(1) Credit asset securitisation

During securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to 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 derecognize relevant credit assets based on degree of risk and reward retention.

As at 31 December 2023 and 31 December 2022, the Group has no outstanding balance of credit asset securitization business.

(2) Transfer of credit assets

For the year ended 31 December 2023, the Group disposed non-performing loans with carrying amount of RMB184 million (For the year ended 31 December 2022: RMB21 million) by transferring them to third parties. The Group analysed whether to derecognise related credit assets based on degree of risk and reward retention. The Group has derecognised relevant credit assets after assessment.

(3) Repurchase agreements

In daily operating activities, the Group entered repurchase agreements with certain counterparties. The Group sold debt securities and bills to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 TRANSFER OF FINANCIAL ASSETS (Continued)

(4) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, 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 derecognised them. As at 31 December 2023, the carrying amount of debt securities lent to counterparties was RMB22,950 million (As at 31 December 2022: RMB13,960 million).

47 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities, including:

- Credit risk
- Market risk
- Liquidity risk

The primary risk management purpose of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

Risk Management Framework

The Board of Directors sets out a risk management committee. The risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies sets by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the year ended 31 December 2023, the Group wrote off non-performing loans of RMB4,176 million (For the year ended 31 December 2022: RMB7,011 million).

Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict access and standard credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group sets credit lines for financial institutions and single financial institution that has financial transactions with the Group.

Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Other financial assets

Other financial assets mainly include asset management products, debt financing plans, funds, trust plans, wealth management plans issued by other banks, etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

Loan commitments

The main purpose of the loan commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

(a) ECL Measurement

Portfolio segmentation of credit risk exposures

By considering credit risk characteristics including product types, customer types, industry and market distribution, etc, the Group makes portfolio segmentation of credit risk exposures.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Financial Instrument Stages

The Group decide the stage of each financial instrument and estimate the ECL based on whether a significant increase in credit risk has occurred since initial recognition or whether a financial asset is considered to be credit-impaired. The major definitions of three stages of financial instruments are set out below.

- | | |
|----------|--|
| Stage 1: | Financials instruments with no significant increase in credit risk after initial recognition. ECL losses in the next 12 months is recognised. |
| Stage 2: | There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised. |
| Stage 3: | Financial instruments show objective evidence of impairment as at the balance sheet date. Lifetime ECL of financial instruments is recognised. |

Significant Increase in Credit Risk

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk, including the forward-looking information. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Significant Increase in Credit Risk (Continued)

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor's credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor's operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Parameters in Measuring ECL

The ECL is measured on either a 12-month 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. ECL is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

The LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantees.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The Group measures ECL of credit-impaired financial assets with large amount and high risk with discounted cash flow modelling approach. The ECL of financial assets using the discounted cash flow modelling approach is measured based on the difference between the book value and the present value of estimated future cash flows discounted at a certain discount rate.

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

During the year ended 31 December 2023, the Group assessed and re-examined the implementation of ECL method under on the requirement of "Promulgation of the Administrative Measures for Implementation of the Expected Credit Losses Method by Commercial Banks". Based on the results of the re-examination, the Group will continue to optimize the modelling approach, including updating risk segmentation, stage division and forward-looking information, etc.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Forward-looking Information

The Group incorporates forward-looking information when assess measuring ECL.

The Group has performed historical analysis and identified the key economic indicators impacting credit risk and ECL for each portfolio, mainly including growth rate of Gross Domestic Product (the “GDP”) in Chongqing Province, M2, urban residents’ per capita disposable income, etc, to calculate the forward-looking impact of the macro-economic environment on ECL. The Group regularly forecasts these economic indicators and provides the best estimate of economic conditions for the next future year.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ from forecasts. 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.

For the year ended 31 December 2023, the forecast value range of the Group’s baseline scenario for the year-on-year growth rate of Chongqing’s gross product (GDP) is 4.4% – 6.6% The Group fully considered the uncertainty of internal and external economic environment when evaluating the forecast information used in the ECL model, and then made careful adjustments to the macroeconomic forecast.

Combined with expert judgement, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at 31 December 2023 is slightly higher than the weights of other scenarios.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Sensitivity Analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 31 December 2023, the Group's credit impairment provision would increase by RMB502 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB1,198 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2022, the Group's credit impairment provision would increase by RMB716 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB1,434 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk

As at the balance sheet date, the maximum exposure to credit risk of the Group without considering any collateral held or other credit enhancements are as follows:

	As at 31 December	
	2023	2022
Balances with central bank	52,695,911	49,800,549
Deposits with banks and other financial institutions	15,434,655	12,028,449
Placements with banks and other financial institutions	93,211,313	82,638,207
Derivative financial assets	20,911	16,314
Financial assets held under resale agreements	11,451,770	8,457,236
Loans and advances to customers	647,276,750	605,085,448
Financial investments		
– Financial assets measured at fair value through profit or loss	110,774,968	65,835,694
– Financial assets measured at fair value through other comprehensive income	166,235,752	106,005,356
– Financial assets measured at amortised cost	321,772,087	401,141,674
Other financial assets	969,833	908,051
Subtotal	1,419,843,950	1,331,916,978
Off-balance sheet loan commitments	42,878,092	37,746,449
Total	1,462,722,042	1,369,663,427

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into “Risk level 1”, “Risk level 2”, “Risk level 3” and “Default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “Default” is consistent with definition of credit impairment that has occurred.

Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	509,133,682	1,568,195	–	510,701,877
Risk level 2	85,302,465	10,986,806	–	96,289,271
Risk level 3	–	3,306,339	–	3,306,339
Default	–	–	8,406,368	8,406,368
Gross carrying amount	594,436,147	15,861,340	8,406,368	618,703,855
ECL allowance	(17,125,680)	(5,416,324)	(6,891,885)	(29,433,889)
Carrying amount	<u>577,310,467</u>	<u>10,445,016</u>	<u>1,514,483</u>	<u>589,269,966</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk (Continued)

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	480,491,197	960,762	–	481,451,959
Risk level 2	74,847,845	10,837,640	–	85,685,485
Risk level 3	–	4,977,263	–	4,977,263
Default	–	–	9,342,107	9,342,107
Gross carrying amount	555,339,042	16,775,665	9,342,107	581,456,814
ECL allowance	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Carrying amount	<u>541,163,186</u>	<u>10,529,096</u>	<u>2,172,896</u>	<u>553,865,178</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Analysis of credit quality on financial assets

As at 31 December 2023, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 31 December 2023							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Financial assets measured at amortised cost</i>								
Balances with central bank	52,695,911	-	-	52,695,911	-	-	-	-
Deposits with banks and other financial institutions	15,464,571	-	-	15,464,571	(29,916)	-	-	(29,916)
Placements with banks and other financial institutions	93,499,442	-	-	93,499,442	(288,129)	-	-	(288,129)
Financial assets held under resale agreements	11,492,609	-	-	11,492,609	(40,839)	-	-	(40,839)
Loans and advances to customers	594,436,147	15,861,340	8,406,368	618,703,855	(17,125,680)	(5,416,324)	(6,891,885)	(29,433,889)
Financial assets measured at amortised cost	320,929,644	1,206,582	2,538,135	324,674,361	(709,660)	(42,554)	(2,150,060)	(2,902,274)
Other financial assets	973,554	38,900	222,896	1,235,350	(49,776)	(12,107)	(203,634)	(265,517)
Total	1,089,491,878	17,106,822	11,167,399	1,117,766,099	(18,244,000)	(5,470,985)	(9,245,579)	(32,960,564)
<i>Financial assets measured at fair value through other comprehensive income</i>								
Loans and advances to customers	58,005,784	-	1,000	58,006,784	(118,085)	-	(1,000)	(119,085)
Financial assets measured at fair value through other comprehensive income	164,925,901	-	-	164,925,901	(162,094)	-	-	(162,094)
Total	222,931,685	-	1,000	222,932,685	(280,179)	-	(1,000)	(281,179)
Loan commitments	43,047,892	191,045	46,978	43,285,915	(344,802)	(53,743)	(9,278)	(407,823)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Analysis of credit quality on financial assets (Continued)

As at 31 December 2022, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 31 December 2022							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Financial assets measured at amortised cost</i>								
Balances with central bank	49,800,549	-	-	49,800,549	-	-	-	-
Deposits with banks and other financial institutions	12,038,153	-	-	12,038,153	(9,704)	-	-	(9,704)
Placements with banks and other financial institutions	82,253,986	-	-	82,253,986	(28,126)	-	-	(28,126)
Financial assets held under resale agreements	8,464,706	-	-	8,464,706	(7,470)	-	-	(7,470)
Loans and advances to customers	555,339,042	16,775,665	9,342,107	581,456,814	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Financial assets measured at amortised cost	399,339,551	744,261	3,373,168	403,456,980	(686,334)	(6,669)	(1,622,303)	(2,315,306)
Other financial assets	948,432	-	72,054	1,020,486	(53,956)	-	(58,479)	(112,435)
Total	1,108,184,419	17,519,926	12,787,329	1,138,491,674	(14,961,446)	(6,253,238)	(8,849,993)	(30,064,677)
<i>Financial assets measured at fair value through other comprehensive income</i>								
Placements with banks and other financial institutions	412,347	-	-	412,347	(100)	-	-	(100)
Loans and advances to customers	51,219,270	-	1,000	51,220,270	(12,532)	-	(1,000)	(13,532)
Financial assets measured at fair value through other comprehensive income	105,372,759	-	-	105,372,759	(11,160)	-	-	(11,160)
Total	157,004,376	-	1,000	157,005,376	(23,792)	-	(1,000)	(24,792)
Loan commitments	37,751,494	137,864	48,829	37,938,187	(152,252)	(29,549)	(9,937)	(191,738)

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Concentration risk

If counterparties are concentrated in a particular industry or region, or share certain economic characteristics, their credit risk will generally increase accordingly. Meanwhile, different industries and regions have their own unique characteristics of economic development, and therefore the credit risk of different industries and regions is different.

(i) Loans and advances to customers

The industry concentration risk of loans and advances to customers refers to Note IV 16(3).

(ii) Bonds and other investments

The Group uses credit ratings to monitor the credit risk positions of its debt investment portfolio. The ratings can refer to the rating evaluated by the rating agencies recognised by PBOC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Concentration risk (Continued)

(ii) Bonds and other investments (Continued)

As at the balance sheet date, the gross carrying amounts of bonds and other investments by investment ratings were as follows:

	As at 31 December 2023			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	7,197,313	115,897,863	45,814,430	168,909,606
AA	1,221,560	8,383,285	656,543	10,261,388
Unrated debt securities and others:				
Public sector and quasi- government bonds	641,731	60,657,551	76,178,520	137,477,802
Government bonds	862,930	105,375,429	16,206,864	122,445,223
Corporate bonds	4,999,848	23,431,725	7,381,470	35,813,043
Financial institutions bonds	-	5,413,426	201,988	5,615,414
Interbank deposit certificates	57,160,877	-	18,486,086	75,646,963
Funds	36,105,825	-	-	36,105,825
Trust and asset management plans	1,503,694	2,538,135	-	4,041,829
Wealth management products	731,975	-	-	731,975
Others	349,215	2,976,947	-	3,326,162
Total	<u>110,774,968</u>	<u>324,674,361</u>	<u>164,925,901</u>	<u>600,375,230</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Concentration risk (Continued)

(ii) Bonds and other investments (Continued)

	As at 31 December 2022			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	23,231,494	106,283,372	18,446,870	147,961,736
AA	1,486,522	39,486,580	1,859,846	42,832,948
Unrated debt securities and others:				
Government bonds	727,612	175,704,316	12,128,610	188,560,538
Public sector and quasi- government bonds	1,592,041	62,243,672	72,155,976	135,991,689
Corporate bonds	–	814,940	331,981	1,146,921
Financial institutions bonds	–	1,090,706	329,524	1,420,230
Funds	30,206,133	–	–	30,206,133
Interbank deposit certificates	–	–	119,952	119,952
Trust and asset management plans	8,317,248	4,022,227	–	12,339,475
Wealth management products	262,014	–	–	262,014
Others	12,630	13,811,167	–	13,823,797
Total	65,835,694	403,456,980	105,372,759	574,665,433

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(e) Restructured loans and advances

According to the latest regulation of loan risk classification which released by NFRA, restructured loans and advances are financial assets made by commercial banks in favor of the debtor's adjustment of debt contracts or the provision of refinancing for the debtor's existing debts, to encourage the debtor to repay debts due to financial difficulties. As at 31 December 2023, the restructured loans and advances which meet above definition amounted to RMB614 million. As at 31 December 2022, the restructured loans and advances which meet the former relevant regulations amounted to RMB213 million.

(f) Credit-impaired loans and advances

The portions covered and not covered by collaterals held are as follows:

	As at 31 December	
	2023	2022
Portion covered	5,503,604	5,002,250
Portion not covered	2,903,764	4,181,480
Total	8,407,368	9,183,730

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) 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, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and treasury operations. Interest rate risk is inherent in many of its business and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign exchange rates.

(a) Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based.

The Group regularly monitor the macro-economic factors that may impact on PBOC benchmark interest rates. In order to reduce the impact of changes in interest rate, the majority of the loans are floating rate loans. In addition, the Group manages the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates, by enhancing the price negotiation ability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2023					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,163,907	52,618,793	-	-	-	55,782,700
Deposits with banks and other financial institutions	14,027	14,204,055	1,207,582	8,991	-	15,434,655
Placements with banks and other financial institutions	1,084,753	41,548,423	49,779,741	798,396	-	93,211,313
Derivative financial assets	20,911	-	-	-	-	20,911
Financial assets held under resale agreements	10,717	11,441,053	-	-	-	11,451,770
Loans and advances to customers (Note i)	1,891,885	345,556,747	196,189,454	86,615,045	17,023,619	647,276,750
Financial investments (Note ii)	47,917,100	54,235,821	91,427,391	212,602,097	192,600,398	598,782,807
Other financial assets	969,833	-	-	-	-	969,833
Total financial assets	55,073,133	519,604,892	338,604,168	300,024,529	209,624,017	1,422,930,739
Financial liabilities						
Borrowings from central bank	475,864	18,225,000	88,460,872	-	-	107,161,736
Deposits from banks and other financial institutions	351,993	21,901,703	33,670,000	-	-	55,923,696
Placements from banks and other financial institutions	418,290	15,512,895	34,859,304	550,000	-	51,340,489
Financial liabilities measured at fair value through profit or loss	8,748,274	-	-	-	-	8,748,274
Derivative financial liabilities	15,061	-	-	-	-	15,061
Financial assets sold under repurchase agreements	169,139	58,530,630	4,609,904	-	-	63,309,673
Deposits from customers	18,605,885	503,879,065	188,995,460	184,721,820	-	896,202,230
Debt securities issued	336,220	39,673,625	60,573,415	13,996,560	4,999,572	119,579,392
Lease liabilities	-	14,768	40,243	90,736	19,466	165,213
Other financial liabilities	7,601,107	-	-	-	31,331	7,632,438
Total financial liabilities	36,721,833	657,737,686	411,209,198	199,359,116	5,050,369	1,310,078,202
Interest rate risk gap	18,351,300	(138,132,794)	(72,605,030)	100,665,413	204,573,648	112,852,537

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

	As at 31 December 2022					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,246,192	49,647,836	-	-	-	52,894,028
Deposits with banks and other financial institutions	15,250	11,229,389	783,810	-	-	12,028,449
Placements with banks and other financial institutions	816,175	35,337,976	46,484,056	-	-	82,638,207
Derivative financial assets	16,314	-	-	-	-	16,314
Financial assets held under resale agreements	7,835	8,449,401	-	-	-	8,457,236
Loans and advances to customers (Note i)	1,939,600	303,355,100	192,466,801	89,727,652	17,596,295	605,085,448
Financial investments (Note ii)	46,757,797	86,988,262	66,132,386	151,691,075	221,413,204	572,982,724
Other financial assets	908,051	-	-	-	-	908,051
Total financial assets	53,707,214	495,007,964	305,867,053	241,418,727	239,009,499	1,335,010,457
Financial liabilities						
Borrowings from central bank	413,474	13,108,583	72,871,310	-	-	86,393,367
Deposits from banks and other financial institutions	218,844	14,525,623	37,100,000	-	-	51,844,467
Placements from banks and other financial institutions	406,638	11,392,339	28,285,715	1,600,000	-	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	-	-	-	70,497	3,245,979
Derivative financial liabilities	12,450	-	-	-	-	12,450
Financial assets sold under repurchase agreements	190,324	34,392,848	7,882,450	-	-	42,465,622
Deposits from customers	14,904,819	458,683,625	152,518,494	198,839,816	-	824,946,754
Debt securities issued	514,969	56,353,327	99,204,629	9,997,329	4,998,922	171,069,176
Lease liabilities	-	13,478	35,607	67,434	18,866	135,385
Other financial liabilities	7,751,196	-	-	-	32,898	7,784,094
Total financial liabilities	27,588,196	588,469,823	397,898,205	210,504,579	5,121,183	1,229,581,986
Interest rate risk gap	26,119,018	(93,461,859)	(92,031,152)	30,914,148	233,888,316	105,428,471

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

Note i The amount of loans and advances to customers classified as “Less than 3 months” included overdue amounts (net of provision for impairment losses) of RMB2,937 million as at 31 December 2023 (RMB2,741 million as at 31 December 2022). “Overdue” mentioned above means that the principal or interest is overdue by one day or more.

Note ii Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points of the yields of all the currencies on the net profit and comprehensive income of the Group, based on the structure of interest-earning assets and interest-bearing liabilities as at the balance sheet date.

	As at 31 December 2023		As at 31 December 2022	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>149,907</u>	<u>(3,663,547)</u>	<u>492,611</u>	<u>(3,346,570)</u>
- 100 basis points	<u>(151,180)</u>	<u>3,920,444</u>	<u>(597,941)</u>	<u>3,633,982</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of debt instruments measured at fair value through other comprehensive income at the end of reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk

Foreign currency risk is the risk of loss, which results from negative movements in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. The Group's foreign currency transactions mainly involve foreign currency treasury business, deposits, loans and advances, foreign exchanges and derivatives. The Group's foreign currency risk mainly arises from currency mismatch between foreign currency assets and liabilities and currency derivatives.

The Group controls foreign currency risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives to manage foreign currency asset and liability portfolios and structural positions. Meanwhile, the Group conducts foreign currency sensitivity analysis on a regular basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk

As at the balance sheet date, the exposure to foreign currency risk are as follows:

	As at 31 December 2023				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	55,759,424	23,149	127	-	55,782,700
Deposits with banks and other financial institutions	14,829,309	365,311	185,655	54,380	15,434,655
Placements with banks and other financial institutions	92,535,373	675,940	-	-	93,211,313
Derivative financial assets	8,415	12,425	71	-	20,911
Financial assets held under resale agreements	11,451,770	-	-	-	11,451,770
Loans and advances to customers	647,059,149	217,601	-	-	647,276,750
Financial investments (Note i)	598,640,644	142,163	-	-	598,782,807
Other financial assets	969,833	-	-	-	969,833
Total financial assets	1,421,253,917	1,436,589	185,853	54,380	1,422,930,739
Financial liabilities					
Borrowings from central bank	107,161,736	-	-	-	107,161,736
Deposits from banks and other financial institutions	55,923,696	-	-	-	55,923,696
Placements from banks and other financial institutions	51,092,141	248,348	-	-	51,340,489
Financial liabilities measured at fair value through profit or loss	8,748,274	-	-	-	8,748,274
Derivative financial liabilities	2,162	632	101	12,166	15,061
Financial assets sold under repurchase agreements	63,309,673	-	-	-	63,309,673
Deposits from customers	895,711,509	464,090	309	26,322	896,202,230
Debt securities issued	119,579,392	-	-	-	119,579,392
Lease liabilities	165,213	-	-	-	165,213
Other financial liabilities	7,590,481	41,955	-	2	7,632,438
Total financial liabilities	1,309,284,277	755,025	410	38,490	1,310,078,202
Net position	111,969,640	681,564	185,443	15,890	112,852,537
Loan commitments	42,909,358	370,075	-	6,482	43,285,915

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk (Continued)

	As at 31 December 2022				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	52,786,974	106,963	91	–	52,894,028
Deposits with banks and other financial institutions	11,411,241	377,659	182,656	56,893	12,028,449
Placements with banks and other financial institutions	82,638,207	–	–	–	82,638,207
Derivative financial assets	6,412	9,902	–	–	16,314
Financial assets held under resale agreements	8,457,236	–	–	–	8,457,236
Loans and advances to customers	604,440,925	644,523	–	–	605,085,448
Financial investments (Note i)	572,841,073	141,651	–	–	572,982,724
Other financial assets	908,051	–	–	–	908,051
Total financial assets	1,333,490,119	1,280,698	182,747	56,893	1,335,010,457
Financial liabilities					
Borrowings from central bank	86,393,367	–	–	–	86,393,367
Deposits from banks and other financial institutions	51,844,467	–	–	–	51,844,467
Placements from banks and other financial institutions	41,580,184	104,508	–	–	41,684,692
Financial liabilities measured at fair value through profit or loss	3,245,979	–	–	–	3,245,979
Derivative financial liabilities	9,626	2,824	–	–	12,450
Financial assets sold under repurchase agreements	42,465,622	–	–	–	42,465,622
Deposits from customers	824,466,731	444,616	123	35,284	824,946,754
Debt securities issued	171,069,176	–	–	–	171,069,176
Lease liabilities	135,385	–	–	–	135,385
Other financial liabilities	7,740,045	44,049	–	–	7,784,094
Total financial liabilities	1,228,950,582	595,997	123	35,284	1,229,581,986
Net position	104,539,537	684,701	182,624	21,609	105,428,471
Loan commitments	37,362,077	561,897	–	14,213	37,938,187

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit and equity.

	Sensitivity of net profit and equity	
	As at 31 December 2023	As at 31 December 2022
RMB5% appreciation	(25,559)	(25,676)
RMB5% depreciation	<u>25,559</u>	<u>25,676</u>

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. In practice, the Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of the regulator, and reported to the regulator periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2023							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	46,624,950	9,134,587	-	23,163	-	-	-	55,782,700
Deposits with banks and other financial institutions	-	10,848,825	3,204,631	159,009	1,213,164	9,026	-	15,434,655
Placements with banks and other financial institutions	-	-	9,540,096	32,604,867	50,267,253	799,097	-	93,211,313
Derivative financial assets	-	-	71	966	14,959	4,915	-	20,911
Financial assets held under resale agreements	-	-	11,451,770	-	-	-	-	11,451,770
Loans and advances to customers	2,936,734	-	39,288,110	44,366,199	181,023,146	194,993,275	184,669,286	647,276,750
Financial investments (Note i)	2,047,141	15,705,570	6,197,002	26,502,691	94,806,923	237,509,474	216,014,006	598,782,807
Other financial assets	34,097	935,736	-	-	-	-	-	969,833
Total financial assets	51,642,922	36,624,718	69,681,680	103,656,895	327,325,445	433,315,787	400,683,292	1,422,930,739
Financial liabilities								
Borrowings from central bank	-	-	7,965,619	10,735,009	88,461,108	-	-	107,161,736
Deposits from banks and other financial institutions	-	981,149	7,971,122	13,083,565	33,887,860	-	-	55,923,696
Placements from banks and other financial institutions	-	-	5,593,514	10,151,722	35,044,732	550,521	-	51,340,489
Financial liabilities measured at fair value through profit or loss	-	1,409,284	100,954	2,121,080	3,078,590	2,038,366	-	8,748,274
Derivative financial liabilities	-	-	-	-	14,139	922	-	15,061
Financial assets sold under repurchase agreements	-	-	54,617,236	4,061,709	4,630,728	-	-	63,309,673
Deposits from customers	-	270,407,938	91,828,273	148,710,246	191,224,856	194,030,917	-	896,202,230
Debt securities issued	-	-	6,462,481	33,211,144	60,629,506	14,150,377	5,125,884	119,579,392
Lease liabilities	-	-	5,554	9,214	40,243	90,736	19,466	165,213
Other financial liabilities	-	2,500,788	133,260	278,461	1,116,067	3,320,116	283,746	7,632,438
Total financial liabilities	-	275,299,159	174,678,013	222,362,150	418,127,829	214,181,955	5,429,096	1,310,078,202
Net position	51,642,922	(238,674,441)	(104,996,333)	(118,705,255)	(90,802,384)	219,133,832	395,254,196	112,852,537

Notes to the Consolidated Financial Statements (Continued)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

	As at 31 December 2022							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,783,071	1,455,398	1,002,048	787,932	-	-	12,028,449
Placements with banks and other financial institutions	-	-	9,366,166	26,385,190	46,886,851	-	-	82,638,207
Derivative financial assets	-	-	177	728	13,936	1,473	-	16,314
Financial assets held under resale agreements	-	-	8,457,236	-	-	-	-	8,457,236
Loans and advances to customers	2,741,401	-	27,917,430	34,531,318	182,370,165	180,517,509	177,007,625	605,085,448
Financial investments (Note i)	2,396,092	38,040,055	7,852,277	20,291,872	66,785,917	156,872,988	280,743,523	572,982,724
Other financial assets	13,576	894,475	-	-	-	-	-	908,051
Total financial assets	52,280,135	53,482,563	55,048,684	82,211,156	296,844,801	337,391,970	457,751,148	1,335,010,457
Financial liabilities								
Borrowings from central bank	-	-	5,477,214	8,044,843	72,871,310	-	-	86,393,367
Deposits from banks and other financial institutions	-	675,850	8,488,966	5,422,826	37,256,825	-	-	51,844,467
Placements from banks and other financial institutions	-	-	1,671,632	9,831,507	28,565,950	1,615,603	-	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	-	-	-	-	-	70,497	3,245,979
Derivative financial liabilities	-	-	177	718	11,555	-	-	12,450
Financial assets sold under repurchase agreements	-	-	25,381,384	9,164,540	7,919,698	-	-	42,465,622
Deposits from customers	-	274,302,225	64,511,907	120,184,922	155,342,177	210,605,523	-	824,946,754
Debt securities issued	-	-	6,248,351	50,351,199	99,473,376	9,997,329	4,998,921	171,069,176
Lease liabilities	-	-	6,321	7,157	35,607	67,434	18,866	135,385
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,025,971	203,366,574	402,001,780	225,290,547	5,176,940	1,229,581,986
Net position	49,104,653	(225,062,129)	(56,977,287)	(121,155,418)	(105,156,979)	112,101,423	452,574,208	105,428,471

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

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(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows

The tables below presents the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	As at 31 December 2023							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	46,624,950	9,134,587	-	23,163	-	-	-	55,782,700
Deposits with banks and other financial institutions	-	10,848,825	3,204,675	159,838	1,226,046	9,032	-	15,448,416
Placements with banks and other financial institutions	-	-	9,547,327	32,770,608	51,020,490	823,397	-	94,161,822
Financial assets held under resale agreements	-	-	11,453,571	-	-	-	-	11,453,571
Loans and advances to customers	3,973,362	-	39,976,948	45,754,217	193,199,050	226,987,279	321,491,780	831,382,636
Financial investments (Note i)	2,047,141	15,705,570	7,529,307	28,957,746	105,881,853	280,030,146	245,834,364	685,986,127
Other financial assets	34,097	935,736	-	-	-	-	-	969,833
Total financial assets	52,679,550	36,624,718	71,711,828	107,665,572	351,327,439	507,849,854	567,326,144	1,695,185,105
Financial liabilities								
Borrowings from central bank	-	-	8,168,439	10,928,306	89,658,795	-	-	108,755,540
Deposits from banks and other financial institutions	-	981,149	7,978,393	13,114,992	34,235,192	-	-	56,309,726
Placements from banks and other financial institutions	-	-	5,601,080	10,208,472	35,656,779	584,621	-	52,050,952
Financial liabilities measured at fair value through profit or loss	-	1,409,284	100,954	2,121,080	3,078,590	2,038,366	-	8,748,274
Financial assets sold under repurchase agreements	-	-	54,624,159	4,069,565	4,659,704	-	-	63,353,428
Deposits from customers	-	270,407,938	91,920,590	149,257,635	193,518,831	203,598,312	-	908,703,306
Debt securities issued	-	-	6,470,000	33,360,000	61,615,873	15,673,507	5,355,884	122,475,264
Lease liabilities	-	-	5,971	10,053	43,428	98,304	21,993	179,749
Other financial liabilities	-	2,500,788	133,260	278,461	1,116,067	3,320,116	283,746	7,632,438
Total financial liabilities	-	275,299,159	175,002,846	223,348,564	423,583,259	225,313,226	5,661,623	1,328,208,677
Net position	52,679,550	(238,674,441)	(103,291,018)	(115,682,992)	(72,255,820)	282,536,628	561,664,521	366,976,428
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	4,391	11,760	408,330	8,314	-	432,795
-Total outflows	-	-	(4,320)	-	(405,655)	(4,320)	-	(414,295)
Net position	-	-	-	-	(1,304)	(858)	-	(2,162)
Total derivative financial instruments	-	-	71	11,760	1,371	3,136	-	16,338
Loan commitments	1,031,915	27,898,120	2,790,064	5,135,678	5,200,103	1,202,035	28,000	43,285,915

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2022							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,791,606	1,456,272	1,007,919	795,044	-	-	12,050,841
Placements with banks and other financial institutions	-	-	9,377,433	26,510,754	47,556,680	-	-	83,444,867
Financial assets held under resale agreements	-	-	8,430,233	-	-	-	-	8,430,233
Loans and advances to customers	3,375,542	-	28,285,024	35,521,763	194,039,085	214,861,508	336,525,943	812,608,865
Financial investments (Note i)	2,396,092	38,040,055	9,328,046	23,242,896	79,450,227	205,324,367	321,433,067	679,214,750
Other financial assets	13,576	948,431	-	-	-	-	-	962,007
Total financial assets	52,914,276	53,545,054	56,877,008	86,283,332	321,841,036	420,185,875	657,959,010	1,649,605,591
Financial liabilities								
Borrowings from central bank	-	-	5,645,145	8,407,404	73,646,138	-	-	87,698,687
Deposits from banks and other financial institutions	-	675,850	8,493,981	5,445,355	37,635,658	-	-	52,250,844
Placements from banks and other financial institutions	-	-	1,673,971	9,882,934	29,062,883	1,706,707	-	42,326,495
Financial liabilities measured at fair value through profit or loss	3,175,482	-	169	343	1,542	8,215	79,679	3,265,430
Financial assets sold under repurchase agreements	-	-	25,385,486	9,186,467	7,976,058	-	-	42,548,011
Deposits from customers	-	274,302,225	64,578,277	120,632,845	157,295,519	222,367,558	-	839,176,424
Debt securities issued	-	-	6,251,884	50,524,089	100,756,508	11,623,914	5,459,551	174,615,946
Lease liabilities	-	-	6,703	7,882	38,342	73,342	21,938	148,207
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,275,635	204,446,181	406,937,930	238,784,394	5,649,824	1,249,814,138
Net position	49,738,794	(224,999,638)	(55,398,627)	(118,162,849)	(85,096,894)	181,401,481	652,309,186	399,791,453
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	-	15,929	778,767	9,440	-	804,136
-Total outflows	-	-	-	(15,919)	(776,386)	-	-	(792,305)
Net position	-	-	(177)	(386)	(1,149)	-	45	(1,667)
Total derivative financial instruments	-	-	(177)	(376)	1,232	9,440	45	10,164
Loan commitments	1,003,293	25,118,064	1,360,458	2,954,661	7,424,526	59,178	18,007	37,938,187

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

- (1) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where Level 1 inputs are not available, fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates and counterparty credit spreads, as appropriate. If these parameters used are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables give the three levels of the fair value hierarchies about carrying amount of the Group's financial instruments measured at fair value:

	As at 31 December 2023			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	-	19,400	1,511	20,911
Loans and advances to customers	-	-	58,006,784	58,006,784
Financial assets measured at fair value through profit or loss				
- Debt securities	-	14,923,382	-	14,923,382
- Funds	13,521,392	22,584,433	-	36,105,825
- Asset management plans and trust plans	1,229,054	-	274,640	1,503,694
- Interbank deposit certificates	-	57,160,877	-	57,160,877
- Wealth management products	324,435	407,540	-	731,975
- Other investments	339,164	-	10,051	349,215
Financial assets measured at fair value through other comprehensive income				
- Debt securities	-	146,439,815	-	146,439,815
- Interbank deposit certificates	-	18,486,086	-	18,486,086
- Equity instruments:	541,799	-	768,052	1,309,851
Total assets measured at fair value on a recurring basis	<u>15,955,844</u>	<u>260,021,533</u>	<u>59,061,038</u>	<u>335,038,415</u>
Liabilities				
Derivative financial liabilities	-	(15,061)	-	(15,061)
Financial liabilities measured at fair value through profit or loss	(1,409,284)	(7,338,990)	-	(8,748,274)
Total liabilities measured at fair value on a recurring basis	<u>(1,409,284)</u>	<u>(7,354,051)</u>	<u>-</u>	<u>(8,763,335)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at 31 December 2022			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	–	14,841	1,473	16,314
Loans and advances to customers	–	–	51,220,270	51,220,270
Financial assets measured at fair value through profit or loss				
– Debt securities	–	10,990,099	–	10,990,099
– Funds	3,342,682	26,863,451	–	30,206,133
– Asset management plans and trust plans	–	–	8,317,248	8,317,248
– Interbank deposit certificates	–	16,047,570	–	16,047,570
– Wealth management products	–	262,014	–	262,014
– Other investments	–	–	12,630	12,630
Financial assets measured at fair value through other comprehensive income				
– Debt securities	–	103,061,083	–	103,061,083
– Interbank deposit certificates	–	2,311,676	–	2,311,676
– Equity instruments:	624,597	–	8,000	632,597
Total assets measured at fair value on a recurring basis	<u>3,967,279</u>	<u>159,550,734</u>	<u>59,559,621</u>	<u>223,077,634</u>
Liabilities				
Derivative financial liabilities	–	(12,450)	–	(12,450)
Financial liabilities measured at fair value through profit or loss	–	(3,245,979)	–	(3,245,979)
Total liabilities measured at fair value on a recurring basis	<u>–</u>	<u>(3,258,429)</u>	<u>–</u>	<u>(3,258,429)</u>

There were no significant transfers of the Group's financial assets and liabilities between all levels during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

(a) Level 1 fair value measurement

If there is a reliable quoted price in an active market (such as an authorized stock exchange or an active open-end fund manager), the closing price or redemption price in the active market on the last trading day before balance sheet date shall be used as fair value.

(b) Level 2 fair value measurement

Financial instruments of the Group that are classified as level 2 mainly include debt securities, interbank deposit certificates, open-ended funds with fixed open term and WMPs.

The fair value of debt securities and interbank deposit certificates are determined using valuation results provided by the securities clearing institutions and exchanges. The fair value of open-ended funds with fixed open term and WMPs are based on net value per unit provided by managers. Observable inputs that reflect market conditions were adopted by relevant institutions in the valuation process.

(c) Level 3 fair value measurement

The Group has developed relevant processes to determine the appropriate valuation techniques and inputs used in continuous level 3 fair value measurement, and regularly review the relevant processes and the appropriateness of the determination of fair value.

Financial instruments of the Group that are classified as level 3 mainly include discounted bills, asset management plans, trust plans and unlisted foreclosed equity. Their fair values are based on net asset provided by third parties or fair values of underlying assets (mainly include bonds traded in inter-bank bond market and money market financial instruments), or calculated using discounted cash flows with unobservable inputs including risk adjusted discount rate.

The above assumptions and methods provide a unified basis for calculation of fair value of the Group's assets and liabilities. However, since other institutions may use different methods and assumptions, the fair values disclosed by different financial institutions may not be completely comparable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

For the year ended 31 December 2023

	As at 1 January 2023	Total gains and losses during the year		Additions and settlements		As at 31 December 2023	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
		Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements		
Assets							
Derivative instruments							
- Derivative financial assets	1,473	(4,682)	-	4,720	-	1,511	(4,682)
Loans and advances to customers							
- Loans and advances measured at fair value through other comprehensive income	51,220,270	829,048	60,529	125,261,880	(119,364,943)	58,006,784	-
Financial assets measured at fair value through profit or loss							
- Asset management plans and trust plans	8,317,248	(696,840)	-	195	(7,345,963)	274,640	(697,042)
- Other investments	12,630	(2,579)	-	-	-	10,051	(2,579)
Financial assets measured at fair value through other comprehensive income							
- Unlisted equity securities	8,000	-	(321,691)	1,081,743	-	768,052	-
Total	<u>59,559,621</u>	<u>124,947</u>	<u>(261,162)</u>	<u>126,348,538</u>	<u>(126,710,906)</u>	<u>59,061,038</u>	<u>(704,303)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy (Continued)

For the year ended 31 December 2022

	As at 1 January 2022	Total gains and losses during the year		Additions and settlements		As at 31 December 2022	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
		Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements		
Assets							
Derivative instruments							
– Derivative financial assets	4,720	(7,967)	-	4,720	-	1,473	(7,967)
Loans and advances to customers							
– Loans and advances measured at fair value through other comprehensive income	26,326,500	821,521	(65,588)	89,095,758	(64,957,921)	51,220,270	-
Financial assets measured at fair value through profit or loss							
– Asset management plans and trust plans	10,119,419	(766,806)	-	7,346,424	(8,381,789)	8,317,248	(803,864)
– Investment in WMPs	826,838	4,589	-	-	(831,427)	-	-
– Other investments	12,630	-	-	-	-	12,630	-
Financial assets measured at fair value through other comprehensive income							
– Unlisted equity securities	8,000	-	-	-	-	8,000	-
Total	<u>37,298,107</u>	<u>51,337</u>	<u>(65,588)</u>	<u>96,446,902</u>	<u>(74,171,137)</u>	<u>59,559,621</u>	<u>(811,831)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (3) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances 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, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and Deposits from customers are not included in the table below.

	As at 31 December 2023		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortised cost	<u>321,772,087</u>	<u>333,257,319</u>	<u>401,141,674</u>	<u>408,246,860</u>
Financial liabilities				
Debt securities issued	<u>119,579,392</u>	<u>119,751,404</u>	<u>171,069,176</u>	<u>171,136,659</u>

Fair values of these financial assets and financial liabilities not measured at fair value are determined as follows:

- (a) Fair values of investments in debt securities, interbank deposit certificates and debt securities issued are measured based on the quotes provided by the securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.
- (b) There is no quoted price of market or referable organisations for trust plans and debt financing plans included in financial assets measured at amortised cost. Therefore, fair values of those investments are determined by using the discounted cash flow method with credit risk adjusted yield curve of relevant investments at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 CAPITAL MANAGEMENT

The Group's and the Bank's objectives on capital management are as follows:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimize risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The regulator requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 31 December 2023 and 31 December 2022, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, considering any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated and disclosed the following net core tier-one capital, net tier-one capital and net capital in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 CAPITAL MANAGEMENT (Continued)

	As at 31 December	
	2023	2022
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	11,357,000
Valid portion of capital reserve	20,870,830	20,002,648
Surplus reserve and general reserve	33,939,947	31,690,747
Retained earnings	50,008,344	44,675,479
Valid portion of non-controlling interests	<u>997,399</u>	<u>879,791</u>
Total core tier-one capital	117,173,520	108,605,665
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(283,999)	(225,113)
Other deductible items from core tier-one capital	<u>7,784</u>	<u>10,381</u>
Net core tier-one capital	116,457,176	107,950,804
Other tier-one capital:		
Other equity instruments	5,997,648	5,997,648
Non-controlling interests	<u>132,986</u>	<u>117,306</u>
Net tier-one capital	122,587,810	114,065,758
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	5,000,000	5,000,000
Surplus provision for loan impairment	9,806,474	9,407,934
Valid portion of non-controlling interests	<u>265,973</u>	<u>234,611</u>
Net capital base	<u>137,660,257</u>	<u>128,708,303</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	Note IV	As at 31 December	
		2023	2022
Assets			
Cash and balances with central bank		55,589,974	52,734,764
Deposits with banks and other financial institutions		9,960,822	9,872,848
Placements with banks and other financial institutions		98,683,759	88,582,584
Derivative financial assets		20,911	16,314
Financial assets held under resale agreements		7,776,567	8,418,405
Loans and advances to customers		585,073,500	551,035,374
Financial investments:			
– Financial assets measured at fair value through profit or loss		121,458,132	77,489,548
– Financial assets measured at fair value through other comprehensive income		137,674,113	77,785,277
– Financial assets measured at amortised cost		321,772,087	401,141,674
Investment in subsidiaries	18 (1)	5,620,279	5,403,379
Investments in associates	18 (2)	477,343	454,685
Property and equipment		4,016,672	4,269,702
Rights-of-use assets		156,218	112,415
Goodwill		440,129	440,129
Deferred tax assets		11,198,161	10,405,189
Other assets		1,466,983	1,221,032
Total assets		1,361,385,650	1,289,383,319

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	Note IV	As at 31 December	
		2023	2022
Liabilities			
Borrowings from central bank		107,119,117	86,271,680
Deposits from banks and other financial institutions		56,335,177	52,333,663
Placements from banks and other financial institutions		6,081,883	5,321,256
Financial liabilities measured at fair value through profit or loss		100,954	70,498
Derivative financial liabilities		15,061	12,450
Financial assets sold under repurchase agreements		51,725,106	31,162,115
Deposits from customers		893,928,148	822,869,408
Accrued staff costs		5,599,618	5,166,084
Debt securities issued		119,579,392	171,069,176
Income tax payable		399,934	539,277
Lease liabilities		135,495	90,588
Other liabilities		3,259,955	4,378,800
Total liabilities		1,244,279,840	1,179,284,995
Equity			
Share capital	34	11,357,000	11,357,000
Other equity instruments	35	5,997,648	5,997,648
Capital reserve		21,023,997	21,023,997
Investment revaluation reserve		127,915	(538,501)
Actuarial changes reserve		(718,608)	(575,800)
Surplus reserve	38	14,822,232	13,841,815
General reserve		18,017,334	16,892,911
Retained earnings		46,478,292	42,099,254
Total equity		117,105,810	110,098,324
Total liabilities and equity		1,361,385,650	1,289,383,319

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024.

XIE WENHUI
CHAIRMAN

SUI JUN
HEAD OF ACCOUNTING
DEPARTMENT

(COMPANY CHOP)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

Reserve movement of the Bank

	Capital reserve	Other equity Instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2023	21,023,997	5,997,648	(538,501)	(575,800)	13,841,815	16,892,911	42,099,254
Profit for the year	-	-	-	-	-	-	9,804,168
Other comprehensive income	-	-	666,416	(142,808)	-	-	-
Total comprehensive income for the year	-	-	666,416	(142,808)	-	-	9,804,168
Appropriation to surplus reserve	-	-	-	-	980,417	-	(980,417)
Appropriation to general reserve	-	-	-	-	-	1,124,423	(1,124,423)
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(3,082,290)
Dividends paid to other equity instrument holders	-	-	-	-	-	-	(238,000)
As at 31 December 2023	21,023,997	5,997,648	127,915	(718,608)	14,822,232	18,017,334	46,478,292

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	Capital reserve	Other equity Instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2022	21,023,997	3,998,338	191,918	(640,885)	12,930,678	15,227,334	38,592,239
Profit for the year	-	-	-	-	-	-	9,111,372
Other comprehensive income	-	-	(730,419)	65,085	-	-	-
Total comprehensive income for the year	-	-	(730,419)	65,085	-	-	9,111,372
Capital contribution from other equity instrument holders	-	1,999,310	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	911,137	-	(911,137)
Appropriation to general reserve	-	-	-	-	-	1,665,577	(1,665,577)
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(2,867,643)
Dividends paid to other equity instrument holders	-	-	-	-	-	-	(160,000)
As at 31 December 2022	21,023,997	5,997,648	(538,501)	(575,800)	13,841,815	16,892,911	42,099,254

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors for the year ended 31 December 2023 and 31 December 2022 are disclosed in Note IV 6, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2023 (2022: not material).
- (2) Principal balance of loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors:

Name of the borrower	As at 31 December 2022	As at 31 December 2023	Maximum outstanding during the year 2023	Amounts fallen due but not been paid as at 31 December 2023	Provisions as at 31 December 2023	Term	Interest Rate (%)	Security
Connected entities	5,596,505	3,460,000	3,525,000	-	75,556	3 years	2.43 - 3.90	Guarantee

52 EVENTS AFTER THE REPORTING PERIOD

On 28 March 2024, as proposed by the Board of Directors of the Bank, the Bank passed the 2023 annual profit distribution plan, which was disclosed in Note IV 10 Dividends, Note IV 38 Surplus Reserve and Note IV 39 General Reserve. It takes effect after the resolution is passed at the shareholders' meeting.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

53 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to current period's presentation.

Unaudited Supplementary Financial Information

For the year ended 31 December 2023

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO

(EXPRESSED IN PERCENTAGE)

The Group

	As at 31 December	
	2023	2022
RMB current assets to RMB current liabilities	91.42	87.55
Foreign currency current assets to foreign currency current liabilities	<u>87.62</u>	<u>236.85</u>

LIQUIDITY COVERAGE RATIO

(EXPRESSED IN PERCENTAGE)

The Group

	As at 31 December	
	2023	2022
Liquidity coverage ratio	<u>414.05</u>	<u>296.92</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2023

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

The Group

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2023				
Spot assets	1,415.7	186.9	52.9	1,655.5
Spot liabilities	(784.2)	(187.5)	(4,438.6)	(5,410.3)
Forward purchases	209.2	–	4,412.2	4,621.4
Forward sales	(216.9)	–	–	(216.9)
Net position	<u>623.8</u>	<u>(0.6)</u>	<u>26.5</u>	<u>649.7</u>

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2022				
Spot assets	1,171.3	184.4	3,359.5	4,715.2
Spot liabilities	(614.4)	(184.6)	(3,337.7)	(4,136.7)
Forward purchases	400.1	–	–	400.1
Forward sales	(428.0)	–	(5.6)	(433.6)
Net position	<u>529.0</u>	<u>(0.2)</u>	<u>16.2</u>	<u>545.0</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2023

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2023			
Asia Pacific	1,081.6	364.2	1,445.8
– of which attributed to Hong Kong	265.6	–	265.6
North America	193.1	–	193.1
Europe	31.2	–	31.2
Total	1,305.9	364.2	1,670.1

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2022			
Asia Pacific	433.6	786.5	1,220.1
– of which attributed to Hong Kong	185.0	–	185.0
North America	256.0	–	256.0
Europe	39.4	–	39.4
Total	729.0	786.5	1,515.5

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2023

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	Year ended 31 December 2023			Year ended 31 December 2022		
	Country Area ⁽¹⁾	Urban Area	Total	Country Area ⁽¹⁾	Urban Area	Total
Net interest income	5,658.9	17,834.2	23,493.1	4,671.1	20,733.1	25,404.2
Net fee and commission income	802.1	989.2	1,791.3	703.7	1,209.5	1,913.2
Net trading gains	0.1	1,886.3	1,886.4	–	687.4	687.4
Share of profits of associates	–	22.7	22.7	–	3.3	3.3
Other operating income, net	29.4	445.1	474.5	31.7	431.7	463.4
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	243.8	243.8	–	404.6	404.6
Net gains on derecognition of financial assets measured at amortised cost	–	45.4	45.4	–	65.2	65.2
Total operating income	6,490.5	21,466.7	27,957.2	5,406.5	23,534.8	28,941.3
Internal transfer of income and expenses	8,098.2	(8,098.2)	–	6,979.1	(6,979.1)	–
Income after adjustment	<u>14,588.7</u>	<u>13,368.5</u>	<u>27,957.2</u>	<u>12,385.6</u>	<u>16,555.7</u>	<u>28,941.3</u>

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2023

(Amounts in millions of Renminbi, unless otherwise stated)

ABSTRACT OF GEOGRAPHICAL SEGMENTS

(Expressed in percentage)	As at 31 December 2023		As at 31 December 2022	
	Country Area	Urban Area	Country Area	Urban Area
Deposits	72.18	27.82	71.80	28.20
Loans	49.30	50.70	50.15	49.85
Assets	51.93	48.07	48.88	51.12
Loan-deposit ratio	<u>51.57</u>	<u>137.62</u>	<u>53.57</u>	<u>135.55</u>

(Expressed in percentage)	As at 31 December 2023		As at 31 December 2022	
	Country Area	Urban Area	Country Area	Urban Area
Return on average total assets	0.86	0.73	0.49	1.11
Net fee and commission income to operating income	5.50	7.40	5.68	7.31
Cost-to-income ratio	<u>34.08</u>	<u>34.20</u>	<u>39.70</u>	<u>26.27</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2023

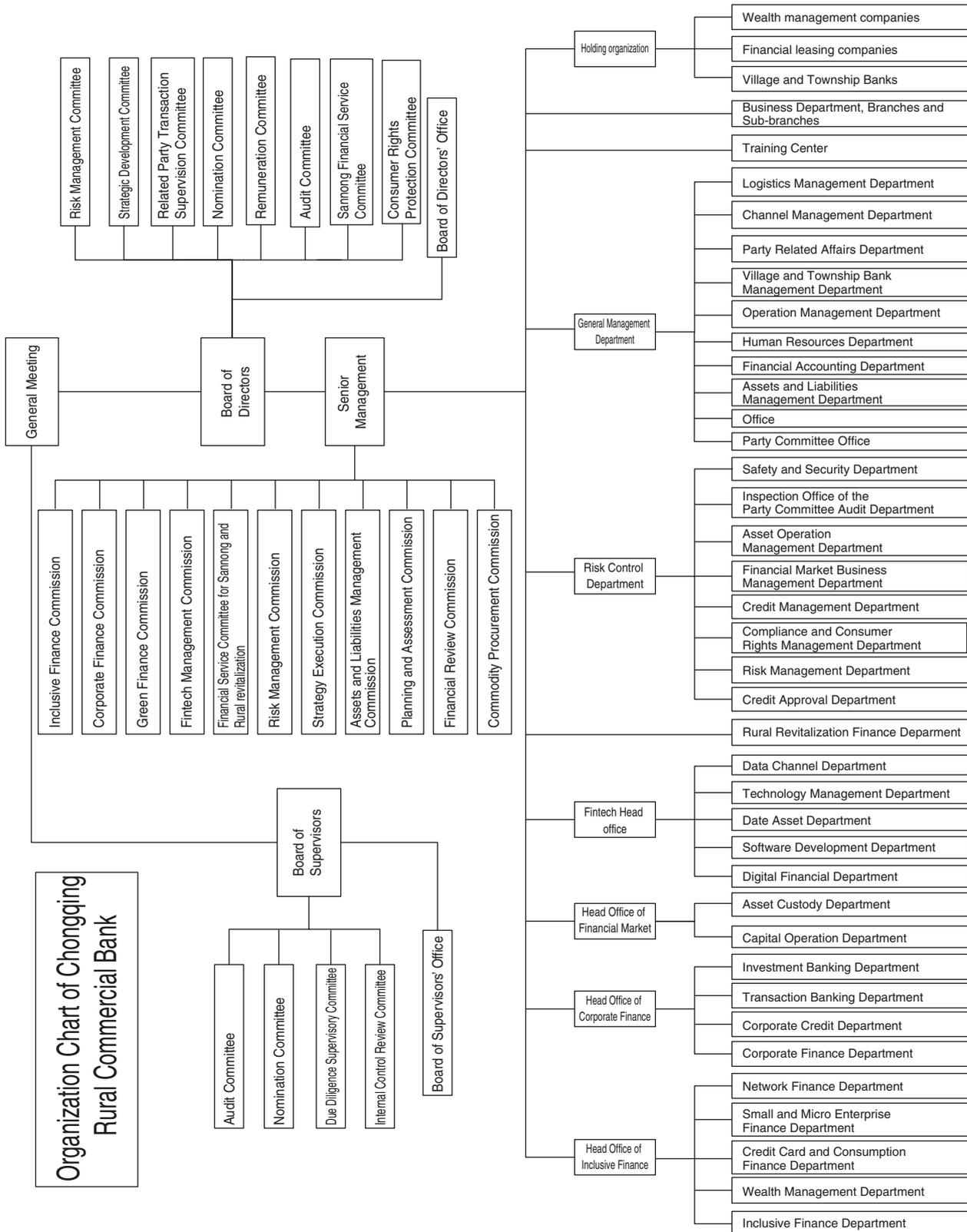
(Amounts in millions of Renminbi, unless otherwise stated)

CAPITAL ADEQUACY RATION

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by regulator.

	As at 31 December	
	2023	2022
Core tier-one capital adequacy ratio	<u>13.53%</u>	<u>13.10%</u>
Tier-one capital adequacy ratio	<u>14.24%</u>	<u>13.84%</u>
Capital adequacy ratio	<u>15.99%</u>	<u>15.62%</u>
Net core tier-one capital	<u>116,457,176</u>	<u>107,950,804</u>
Net tier-one capital	<u>122,587,810</u>	<u>114,065,758</u>
Net capital base	<u>137,660,257</u>	<u>128,708,303</u>
Risk-weighted assets:		
Credit risk-weighted assets	794,324,413	762,042,642
Market risk-weighted assets	11,692,838	7,126,871
Operational risk-weighted assets	54,867,679	55,011,691

Organizational Chart



Branches and Subsidiaries

Branches

Qujing Branch

Address: No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province
Postal Code: 655000
Tel: 0874-3193599

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City
Postal Code: 401122
Tel: 023-88502278

Kexuecheng Branch

Address: No. 28, Xiyong Avenue, High-tech Zone, Chongqing City
Postal Code: 401332
Tel: 023-65002879

Wanzhou Branch

Address: No. 91 Taibai Road, Wanzhou District, Chongqing City
Postal Code: 404100
Tel: 023-58156261

Jiangjin Branch

Address: Annex 6 and 7, No.183 Xijiang Avenue, Shengquan Street, Jiangjin District, Chongqing City
Postal Code: 402260
Tel: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District, Chongqing City
Postal Code: 401520
Tel: 023-42835185

Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City
Postal Code: 408000
Tel: 023-72238022

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City
Postal Code: 400011
Tel: 023-63716557

Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City
Postal Code: 400020
Tel: 023-61310036

Shapingba Branch

Address: Annex 37, 38 and 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City
Postal Code: 400030
Tel: 023-65332566

Dadukou Branch

Address: 1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City
Postal Code: 400084
Tel: 023-68836636

Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City
Postal Code: 400060
Tel: 023-62947517

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City
Postal Code: 400050
Tel: 023-68437557

Beibei Branch

Address: No. 20 Beixia West Road, Beibei District, Chongqing City
Postal Code: 400700
Tel: 023-68864083

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City
 Postal Code: 401120
 Tel: 023-67824010

Ba'nan Branch

Address: No. 145 Longzhou Avenue, Ba'nan District, Chongqing City
 Postal Code: 400055
 Tel: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road, Wansheng District, Chongqing City
 Postal Code: 400800
 Tel: 023-48299505

Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City
 Postal Code: 401220
 Tel: 023-40245293

Yongchuan Branch

Address: No. 399, Honghe Middle Road, Yongchuan District, Chongqing City
 Postal Code: 402160
 Tel: 023-49863765

Nanchuan Branch

Address: No. 24 Jinfo Avenue, Nanchuan District, Chongqing City
 Postal Code: 408400
 Tel: 023-71423626

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City
 Postal Code: 401420
 Tel: 023-48663139

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City
 Postal Code: 402660
 Tel: 023-44551908

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City
 Postal Code: 402560
 Tel: 023-45682975

Dazu Branch

Address: Annex No. 1, No. 227 Middle Section of Wuxing Avenue, Tangxiang Street, Dazu District, Chongqing City
 Postal Code: 402360
 Tel: 023-43711711

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street, Rongchang District, Chongqing City
 Postal Code: 402460
 Tel: 023-46732980

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street, Bishan District, Chongqing City
 Postal Code: 402760
 Tel: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City
 Postal Code: 405200
 Tel: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City
 Postal Code: 405900
 Tel: 023-59221503

Branches and Subsidiaries

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City
Postal Code: 408299
Tel: 023-70736661

Dianjiang Branch

Address: No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City
Postal Code: 408300
Tel: 023-74512937

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Street, Zhong County, Chongqing City
Postal Code: 404300
Tel: 023-54235902

Kaizhou Branch

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City
Postal Code: 405400
Tel: 023-52250812

Yunyang Branch

Address: No. 1335 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing City
Postal Code: 404500
Tel: 023-55161480

Fengjie Branch

Address: No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City
Postal Code: 404699
Tel: 023-56560373

Wushan Branch

Address: No. 258 Guangdong Middle Road, Wushan County, Chongqing City
Postal Code: 404700
Tel: 023-57680904

Wuxi Branch

Address: Unit 1-1, No. 7 Yanghe Garden, No. 25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City
Postal Code: 405899
Tel: 023-51529828

Qianjiang Branch

Address: No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City
Postal Code: 409000
Tel: 023-79236496

Shizhu Branch

Address: Annex No. 6, No. 10 Wanshou Avenue, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City
Postal Code: 409100
Tel: 023-73332136

Wulong Branch

Address: No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City
Postal Code: 408500
Tel: 023-77723233

Xiushan Branch

Address: No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City
Postal Code: 409900
Tel: 023-76662163

Youyang Branch

Address: No. 6 Middle Section of Taohuayuan Avenue, Taohuayuan Street, Youyang Tujia and Miao Autonomous County, Chongqing City
Postal Code: 409800
Tel: 023-75556144

Pengshui Branch

Address: Annex 4, No. 2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City
 Postal Code: 409600
 Tel: 023-78848842

Subsidiaries

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. M101, Block 2, Panhua International Plaza, Yangshe Town, Zhangjiagang City, Jiangsu Province
 Postal Code: 215600
 Tel: 0512-58918959

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial Plaza, Xinhua Road East, Zhuyang Town, Dazhu County, Sichuan Province
 Postal Code: 635100
 Tel: 0818-6256123

Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限公司)

Address: No. 176 Yangbi Road, Economic Development Zone, Dali Prefecture, Yunnan Province
 Postal Code: 671000
 Tel: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限公司)

Address: No. 16, Block 11, “Yinxiang Garden”, Wenyuan Road north side, Xiangcheng Town, Xiangyun County, Dali Prefecture, Yunnan Province
 Postal Code: 672100
 Tel: 0872-3997552

Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限公司)

Address: No. 15 Xinghe Road, Yunhe Town, Heqing County, Dali Prefecture, Yunnan Province
 Postal Code: 671500
 Tel: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限公司)

Address: Shops 4-7, 1/F and 2/F, Annex Building, Huiyilian Business Tower, No. 8 Guiyuan Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region
 Postal Code: 545600
 Tel: 0772-6822818

Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限公司)

Address: Floor 1 & 2, North Tower of Yongshun Building, Xincheng Central Road, Sha County, Sanming City, Fujian Province
 Postal Code: 365050
 Tel: 0598-5758880

Branches and Subsidiaries

Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司)

Address: No. 1 Guanhang Road, Cheng Bei, Fu'an City, Fujian Province
Postal Code: 355000
Tel: 0593-8988906

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: No. 7 Changzheng Avenue, Shangri-La City, Diqing Prefecture, Yunnan Province
Postal Code: 674499
Tel: 0887-8980066

Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454, 2456, 2458, Hong Xing International Building, Baqi Road, Shishi City, Fujian Province
Postal Code: 362700
Tel: 0595-82269866

Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Row, Kangde Huayuan Villa, Tancheng Town, Pingtan County, Fujian Province
Postal Code: 350400
Tel: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road, Dianchi National Tourist Resort, Kunming City, Yunnan Province
Postal Code: 650000
Tel: 0871-68188973

CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)

Address: Annex No. 11 and 12, No. 99 Jinkai Avenue, Liangjiang New District, Chongqing
Postal Code: 401121
Tel: 023-63569568

CQRC Wealth Management Co., Ltd. (渝農商理財有限責任公司)

Address: 20/F and 21/F, Chengda-Jinjia International Building, No.10, Guihua Street Branch Road, Jiangbei District, Chongqing
Postal Code: 400024
Tel: 023-61111693