晉商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

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

(Stock code: 2558)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the audited consolidated annual results of the Bank and its subsidiary (the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such annual results have also been reviewed and confirmed by the Board and the Audit Committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi ("**RMB**").

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang(1)
Authorized Representatives	HAO Qiang, WONG Wai Chiu
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

(1) According to the Articles of Association of the Bank, the chairwoman of the Bank is the legal representative.

1.2 Contact Persons and Contact Details

Secretary to the Board	LI Yanbin
Joint Company Secretaries	LI Yanbin, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
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* *Jinshang Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.*

2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		
	2023	2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income	**11,614.9**	10,728.8	8.3
Interest expense	**(7,378.7)**	(7,135.8)	3.4
Net interest income	**4,236.2**	3,593.0	17.9
Fee and commission income	**860.9**	937.2	(8.1)
Fee and commission expense	**(158.0)**	(203.2)	(22.2)
Net fee and commission income	**702.9**	734.0	(4.2)
Net trading gains	**(78.5)**	(32.5)	141.5
Net gains arising from investment securities	**887.0**	917.6	(3.3)
Other operating income[(1)]	**54.6**	48.1	13.5
Operating income	**5,802.2**	5,260.2	10.3
Operating expenses	**(2,348.4)**	(2,186.7)	7.4
Impairment losses on credit	**(1,432.0)**	(1,237.9)	15.7
Share of profits of associate	**12.1**	20.7	(41.5)

	For the year ended December 31,		
	2023	2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**2,033.9**	1,856.3	9.6
Income tax expense	**(33.3)**	(20.9)	59.3
Net profit	**2,000.6**	1,835.4	9.0
Net profit attributable to:			
Equity shareholders of the Bank	**2,003.0**	1,838.4	9.0
Non-controlling interests	**(2.4)**	(3.0)	(20.0)
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
—Basic	**0.34**	0.31	9.7
—Diluted	**0.34**	0.31	9.7

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

	As of December 31, 2023	As of December 31, 2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**361,305.0**	336,419.5	7.4
Of which: net loans and advances to customers	**185,609.7**	180,905.8	2.6
Total liabilities	**336,492.2**	313,065.9	7.5
Of which: deposits from customers	**288,250.4**	253,770.9	13.6
Total equity	**24,812.8**	23,353.6	6.2
Of which: share capital	**5,838.7**	5,838.7	–
Equity attributable to equity holders of the Bank	**24,796.6**	23,335.1	6.3

	For the year ended December 31,		
	2023	2022	Change
Profitability indicators (%)			
Return on average total assets[(1)]	**0.57**	0.57	0.00
Return on average equity[(2)]	**8.31**	8.07	0.24
Net interest spread[(3)]	**1.29**	1.40	(0.11)
Net interest margin[(4)]	**1.36**	1.32	0.04
Net fee and commission income to operating income ratio	**12.11**	13.95	(1.84)
Cost-to-income ratio[(5)]	**38.94**	39.93	(0.99)

	As of December 31,		
	2023	2022	Change
Asset quality indicators (%)			
NPL ratio[(6)]	**1.78**	1.80	(0.02)
Allowance coverage ratio[(7)]	**198.71**	177.04	21.67
Allowance to gross loan ratio[(8)]	**3.54**	3.19	0.35

	As of December 31,		
	2023	2022	Change
Capital adequacy indicators (%)[(9)]			
Core tier-one capital adequacy ratio[(10)]	**11.14**	10.50	0.64
Tier-one capital adequacy ratio[(11)]	**11.14**	10.50	0.64
Capital adequacy ratio[(12)]	**13.17**	12.40	0.77
Total equity to total assets ratio	**6.87**	6.94	(0.07)

	As of December 31,		
	2023	2022	Change
Other indicators (%)			
Loan-to-deposit ratio[(13)]	**68.11**	74.89	(6.78)
Liquidity coverage ratio[(14)]	**242.06**	208.87	33.19
Liquidity ratio[(15)]	**104.13**	70.88	33.25

	December 31, 2023	September 30, 2023	December 31, 2022
	(Expressed in millions of RMB, unless otherwise stated)		
Net stable funding ratio[16]			
Net stable funding ratio (%)	**126.76**	121.09	128.32
Available stable funding	**231,274.6**	223,957.6	208,056.1
Required stable funding	**182,449.4**	184,946.6	162,134.6

Notes:

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

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

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

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

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

(6) Calculated by dividing total non-performing loans ("**NPL**") by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude interest accrued.

(7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

(9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).The Capital Administrative Measures for Commercial Banks (Provisional) was effective and applicable during the Reporting Period, similarly hereinafter.

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

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

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

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

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the former China Banking and Insurance Regulatory Commission (the "**former CBIRC**"). Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the former CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號)) as promulgated by the former CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

In 2023, China adhered to the general principle of pursuing progress while ensuring stability, fully implemented the new development concept in a comprehensive and accurate manner, accelerated the establishment of a new development pattern, comprehensively deepened reform and opening up, intensified efforts for macroeconomic regulation, and focused on expanding domestic demand, optimizing structure, boosting confidence, and preventing and defusing risks, which led to economic upturn, steady improvement in supply and demand, active promotion of transformation and upgrading, overall stability in employment and prices, effective guarantee of people's livelihood, and solid advancement in high-quality development.

In 2023, the gross domestic product (GDP) was RMB126,058.2 billion on a constant price basis, representing an increase of 5.2% compared with the previous year. Due to the steady recovery of industrial production and rapid growth of the equipment manufacturing industry, the added value of national industrial enterprise above designated size throughout the year increased by 4.6% compared with the previous year; the added value of the equipment manufacturing industry increased by 6.8%, with the growth rate of 2.2 percentage points higher than that of industrial enterprise above designated size. The service industry grew rapidly, with the added value throughout the year increasing by 5.8% compared with the previous year. The market sales recovered quickly, with the total retail sales of social consumer goods reaching RMB47,149.5 billion throughout the whole year, representing an increase of 7.2% compared with the previous year. The national online retail sales amounted to RMB15,426.4 billion, representing an increase of 11.0% compared with the previous year. The scale of fixed asset investment increased, with good momentum in the growth of investment in high-tech manufacturing industries. National fixed assets investment (excluding rural households) throughout the year amounted to RMB50,303.6 billion, representing an increase of 3.0% compared with the previous year. The investment in high-tech manufacturing industries increased by 10.3%, outpacing the total investments by 7.3 percentage points. The import and export of goods remained stable on the whole and the trade structure was further optimized. The total imports and exports of goods throughout the year amounted to RMB41,756.8 billion, representing an increase of 0.2% compared with the previous year. The consumer price index (CPI) increased slightly, and the CPI throughout the year increased by 0.2% compared with the previous year, the employment situation was generally stable, personal incomes continued to increase and the disposable income per capita of the national residents amounted to RMB39,218, representing a nominal increase of 6.3% compared with the previous year.

In 2023, Shanxi Province adhered to the general principle of pursuing progress while ensuring stability, and coordinated efforts to ensure stable economic growth, stable employment and stable prices, resulting in a stable and positive trend in the economic development of the whole province, a steady increase in production and supply, steady improvement in market demand, continued growth in emerging energies, and solid progress in high-quality development.

The GDP of Shanxi Province amounted to RMB2,569.8 billion in 2023, representing an increase of 5.0% compared with the previous year on a constant price basis. Due to the steady recovery of industrial production, the province's value-added industrial output throughout the year increased by 4.6% compared with the previous year, with an increase of 3.6% recorded by the coal industry and an increase of 6.2% recorded by the non-coal industries. With continuous accumulation in emerging energies, the added value of strategic emerging industries increased by 10.9% compared with the previous year, outpacing the growth rate of the province's value-added industrial output by 6.3 percentage points. The service industry grew rapidly, and the Internet sector showed good growth momentum. The added value of the provincial service industry throughout the year increased by 5.0% compared with the previous year, and the added value of the information transmission, software, and information technology service industry in the province increased by 7.4% compared with the previous year. The investment structure of the fixed asset was further optimized. The proportion of industrial investment in fixed asset investment increased by 1.1 percentage points compared with the previous year, the proportion of investment in the high-tech manufacturing industry increased by 0.6 percentage point and the proportion of investment in the equipment manufacturing industry increased by 0.5 percentage point. The market sales recovered steadily, with the total retail sales of social consumer goods in the province throughout the year reaching RMB798.2 billion, representing an increase of 5.5% compared with the previous year. Market prices slightly decreased, the consumer price index in the province throughout the year decreased by 0.1% compared with the previous year, and the producer price index for industrial products in the province decreased by 8.7% compared with the previous year. Personal incomes steadily increased, and the provincial per capita disposable income of urban residents was RMB41,327 throughout the year, representing an increase of 4.5% compared with the previous year.

In 2023, China adhered to the general principle of pursuing progress while ensuring stability for its macroeconomic policies, formulated prudent monetary policies in a precise and energetic manner, enhanced countercyclical and cross-cycle adjustments, and comprehensively utilized tools such as interest rates, reserve funds, and re-lending, to actually serve the real economy, effectively prevent and control financial risks, and create a favorable monetary and financial environment for the economic upturn. The monetary and credit aggregates were moderate and the pace was stable. As of the end of 2023, the broad money (M2) balance was RMB292 trillion, representing an increase of 9.7% year-on-year. The quality and efficiency of financial services for the real economy were further improved. In 2023, the medium- and long-term loans, inclusive loans to small and micro enterprises, and green loans for industrial, service, and infrastructure sectors maintained high-speed growth, and the credit structure was in continual optimization. The scale of social financing recorded steady growth, with the stock of social financing reaching RMB378 trillion as of the end of 2023, representing a year-on-year increase of 9.5%. Among this, the balance of Renminbi loans issued to the real economy was RMB235 trillion, representing a year-on-year increase of 10.4%, and accounting for 62.3% of the stock of social financing in the same period, up by 0.5 percentage point year-on-year.

3.2 Business Overview and Development Strategies

In 2023, the Bank insisted on making progress while maintaining stability as a guideline for the work, took high-quality development as the theme, improved the "six systems" at the head office level, implemented the "six mechanisms" at the branch level, reinforced the support for the real economy, accelerated the pace of transformation and development, coordinated development and safety in a better manner, and moved firmly toward the strategic vision of building an excellent regional listed bank with market competitiveness and brand influence.

Firstly, we maintained steady growth and promoted development to further improve our business strength. As of the end of 2023, the total assets of the Group amounted to RMB361.31 billion; the balance of various deposits was RMB281.08 billion; the balance of various loans was RMB191.44 billion. The Bank realized an operating income of RMB5.80 billion, representing an increase of RMB0.54 billion year-on-year; the Bank's net profit was RMB2.00 billion, representing an increase of RMB0.17 billion year-on-year. The non-performing loan ratio was 1.78%, representing a decrease of 0.02 percentage point as compared to that at the beginning of this year; the allowance coverage ratio was 198.71%.

Secondly, we kept on reinforcing the base and consolidating the foundation to further "stabilize" our basis. With standardized management as the start of our work, we strengthened the construction of the corporate governance system, clarified the implementation process of comprehensive risk management, enhanced the level of compliance operation, and implemented the responsibility for safety production to realize the safe and stable development of the Bank. We further highlighted professional management and reshaped the function of the principal business lines. We set up the professional center to formulate comprehensive financial solutions for customers and promote the marketization and professional development of the Bank. Process management was regarded as a guarantee for strict implementation. By fully leveraging on the role of the party committee in "focusing on the overall direction and development and ensuring strict policy implementation", we intensified inspection and supervision to ensure that "everything has been responded to and implemented".

Thirdly, we continued to adjust the structure and change the growth model to further strengthen the driving force for "progress". We continued to optimize our business structure, adhered to building a bank founded on the basis of deposit (存款立行), reduced the cost of liabilities, and further optimized our deposit structure. We accelerated the overall planning of investment and financing structure and improved policy guidelines to upgrade the rationality of asset structure and enhance the competitiveness of asset quality. We promoted the balanced management of assets and liabilities and took measures to increase efficiency and reduce costs to further enhance our ability to create value. We continued to optimize our development mode, accelerated digital transformation for higher quality, and established corresponding mechanisms to realize digital management for the whole process of customer service. We constantly optimized our service model and strengthened efforts to optimize the marketing organization and fully implement the deposit and loan organizations for the corporate business. Our investment banking tools and product systems were further improved and we launched a more flexible comprehensive financial service model. For the retail business, we continued to deepen the fine operation of customers' business and carried out inter-industry alliance cooperation, resulting in an improvement in the research and development of wealth management products and sales capabilities; we continued to expand the scale of the personal loan business to achieve changes in both the development mode and the growth mode; for the inclusive business, we promoted transformation and reshaping of the organizational structure, business process, and product research and development, and actively explored standardized and modular service solutions, achieving rapid growth in the target of "two growth".

Fourthly, we kept on improving our ability and changing our work style for a "better" development trend. The integrity of the cadre team has been further improved by closely grasping the ideological construction of the Party, deeply grasping the organizational construction of the Party and strictly grasping the discipline construction of the Party. By continuously improving the coordination of supervision forces, the Bank further upgraded the high-quality development. Employees have further improved their ability of professional performance. We aimed at the construction of a learning bank and held the 9th "Strive for Excellence of Jinshang (晉益求精)" competition, as a result of which the professional quality and ability of cadres and employees have been trained and improved. Great efforts have been made by branches. In order to achieve the goal of reinforcement of these branches, special actions of "strengthening the directly-controlled branches in Taiyuan, expanding city-level branches, and optimizing county-level sub-branches" have been comprehensively promoted. The transformation and development of the Bank has achieved remarkable results.

In 2024, the Bank will take promoting high-quality development as the theme and deepening the structural reform of the financial supply as the main line. By adhering to making progress while maintaining stability, the Bank will promote stability through progress and create new models only after overturning the old ones. We will balance high-quality development and high-level security, make changes in the model and adjust the structure to improve quality and efficiency. We will strengthen the leadership of the Party and give support for the real economy. Through constant characteristic operation, we will promote digital transformation and strengthen the talent support to strive for high-quality development in a new era and new journey.

3.3 Income Statement Analysis

	For the year ended December 31,		
	2023	2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	**11,614.9**	10,728.8	8.3
Interest expense	**(7,378.7)**	(7,135.8)	3.4
Net interest income	**4,236.2**	3,593.0	17.9
Fee and commission income	**860.9**	937.2	(8.1)
Fee and commission expense	**(158.0)**	(203.2)	(22.2)
Net fee and commission income	**702.9**	734.0	(4.2)
Net trading gains	**(78.5)**	(32.5)	141.5
Net gains arising from investment securities	**887.0**	917.6	(3.3)
Other operating income[(1)]	**54.6**	48.1	13.5
Operating income	**5,802.2**	5,260.2	10.3
Operating expenses	**(2,348.4)**	(2,186.7)	7.4
Impairment losses on credit	**(1,432.0)**	(1,237.9)	15.7
Share of profits of associate	**12.1**	20.7	(41.5)
Profit before tax	**2,033.9**	1,856.3	9.6
Income tax expense	**(33.3)**	(20.9)	59.3
Net profit	**2,000.6**	1,835.4	9.0

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

For the year ended December 31, 2023, the profit before tax of the Group increased by 9.6% to RMB2,033.9 million from RMB1,856.3 million for the year ended December 31, 2022, and the net profit for the same period increased to RMB2,000.6 million from RMB1,835.4 million for the year ended December 31, 2022, representing a year-on-year growth of 9.0%.

3.3.1 Net interest income, net interest spread and net interest margin

For the year ended December 31, 2023, the net interest income of the Group increased by 17.9% to RMB4,236.2 million from RMB3,593.0 million for the year ended December 31, 2022, mainly due to an increase of RMB886.1 million in interest income during the Reporting Period, which was partially offset by an increase in interest expenses on liabilities.

The net interest spread of the Group decreased from 1.40% for the year ended December 31, 2022 to 1.29% for the year ended December 31, 2023, mainly due to the decrease in the yield on interest-earning assets from 3.96% for the year ended December 31, 2022 to 3.72% for the year ended December 31, 2023, which was partially offset by the decrease in the cost of interest-bearing liabilities from 2.56% for the year ended December 31, 2022 to 2.43% for the year ended December 31, 2023. The decrease in the yield on interest-earning assets was due to lower yields on loans and advances to customers during the Reporting Period as a result of the downward trend in the loan prime rate and bill market rate. The decrease in the cost of interest-bearing liabilities was firstly due to the fact that the Group lowered its nominal interest rate for deposits accordingly against the downward trend in the market rate, and secondly due to the decrease in the interest rate on the issuance of interbank deposits as a result of the ample market liquidity.

The net interest margin increased from 1.32% for the year ended December 31, 2022 to 1.36% for the year ended December 31, 2023, which was mainly due to the optimization of the Group's asset structure by moderately reducing the scale of non-interest-earning assets and increasing the proportion of interest-earning assets, coupled with a decrease in the cost of interest-bearing liabilities, resulting in the fact that the increase in net interest income was higher than that of the scale of interest-earning assets.

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost of liabilities for the years ended December 31, 2022 and 2023.

	For the year ended December 31,					
	2023			2022		
	Average balance	**Interest income/ expense**	**Average yield/ cost (%)[1]**	Average balance	Interest income/ expense	Average yield/cost (%)[1]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**191,373.4**	**8,146.0**	**4.26**	171,930.8	7,919.7	4.61
Financial investments[2]	**73,418.3**	**2,416.6**	**3.29**	61,299.9	2,072.9	3.38
Placements with banks and other financial institutions	**8,078.9**	**287.2**	**3.55**	4,163.0	102.7	2.47
Financial assets held under resale agreements	**21,617.4**	**499.9**	**2.31**	16,573.6	378.0	2.28
Deposits with the central bank[3]	**16,138.1**	**225.5**	**1.40**	15,294.9	210.8	1.38
Deposits with banks and other financial institutions	**1,412.2**	**39.7**	**2.81**	1,965.0	44.7	2.27
Total interest-earning assets	**312,038.3**	**11,614.9**	**3.72**	271,227.2	10,728.8	3.96

	For the year ended December 31,					
	2023			2022		
	Average balance	**Interest income/ expense**	**Average yield/ cost (%)(1)**	Average balance	Interest income/ expense	Average yield/cost (%)(1)
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	**260,185.5**	**6,364.6**	**2.45**	219,125.3	5,687.1	2.60
Deposits from banks and other financial institutions	**61.3**	**1.2**	**1.96**	793.3	15.5	1.95
Placements from banks and other financial institutions	**630.7**	**13.8**	**2.19**	298.9	5.1	1.71
Financial assets sold under repurchase agreements	**18,227.1**	**376.0**	**2.06**	16,761.1	294.0	1.75
Debt securities issued(4)	**22,098.7**	**579.6**	**2.62**	38,682.3	1,072.5	2.77
Borrowing from the central bank	**2,154.3**	**43.5**	**2.02**	3,008.9	61.6	2.05
Total interest-bearing liabilities	**303,357.6**	**7,378.7**	**2.43**	278,669.8	7,135.8	2.56
Net interest income		**4,236.2**			3,593.0	
Net interest spread(5)			**1.29**			1.40
Net interest margin(6)			**1.36**			1.32

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consist primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consist of certificates of interbank deposit, financial bonds and tier-two capital debts.

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

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

3.3.2 *Interest income*

For the year ended December 31, 2023, the Group's interest income increased by 8.3% to RMB11,614.9 million from RMB10,728.8 million for the year ended December 31, 2022, primarily due to an increase of 15.0% in the average balance of interest-earning assets from RMB271,227.2 million for the year ended December 31, 2022 to RMB312,038.3 million for the year ended December 31, 2023, partially offset by a decrease in the average yield of interest-earning assets from 3.96% for the year ended December 31, 2022 to 3.72% for the year ended December 31, 2023.

Interest income from loans and advances to customers

For the year ended December 31, 2023, interest income from loans and advances to customers increased by 2.9% from RMB7,919.7 million for the year ended December 31, 2022 to RMB8,146.0 million for the year ended December 31, 2023, primarily due to an increase of 11.3% in the average balance of loans and advances to customers from RMB171,930.8 million for the year ended December 31, 2022 to RMB191,373.4 million for the year ended December 31, 2023, partially offset by a decrease in the average yield of loans and advances to customers from 4.61% for the year ended December 31, 2022 to 4.26% for the year ended December 31, 2023. The increase in the average balance of loans and advances to customers was primarily due to the fact that the Group fully leveraged the advantages as a local corporate bank, continuously increased efforts to grant loans, unswervingly supported the real economy, clearly supported the transformation and upgrading of the manufacturing industry, the upgrading and transformation of the energy industry, the collective action initiative for development zones to contract with more projects, to start more projects, and to enable more projects to go into operation at one go, and clearly supported key industrial chains, townships of special industries and other important areas. The decrease in the average yield of loans and advances to customers was firstly due to a decrease in the average yield on new loans to customers as a result of the downward trend in the loan prime rate, and secondly due to a decrease in the average yield of discounted bills affected by the downward trend in the bill market rate.

Interest income from financial investments

For the year ended December 31, 2023, interest income from financial investments increased by 16.6% from RMB2,072.9 million for the year ended December 31, 2022 to RMB2,416.6 million for the year ended December 31, 2023, primarily due to an increase of 19.8% in the average balance of financial investments from RMB61,299.9 million for the year ended December 31, 2022 to RMB73,418.3 million for the year ended December 31, 2023, partially offset by a decrease in the average yield of financial investments from 3.38% for the year ended December 31, 2022 to 3.29% for the year ended December 31, 2023. The increase in the average balance of financial investments was primarily due to the fact that the Group proactively adjusted its asset structure and moderately increased the scale of financial investments measured at amortised cost. The decrease in the average yield of financial investments was primarily due to the decrease in the yield of the Group's financial investments measured at amortised cost such as certificates of interbank deposit as a result of the downward trend in the bond market rate.

Interest income from placements with banks and other financial institutions

For the year ended December 31, 2023, interest income from placements with banks and other financial institutions increased by 179.6% to RMB287.2 million from RMB102.7 million for the year ended December 31, 2022, primarily because the average balance of placements with banks and other financial institutions increased by 94.1% from RMB4,163.0 million for the year ended December 31, 2022 to RMB8,078.9 million for the year ended December 31, 2023, and the average yield on placements with banks and other financial institutions increased from 2.47% for the year ended December 31, 2022 to 3.55% for the year ended December 31, 2023. The increase in the average balance and average yield on placements with banks and other financial institutions was primarily due to the increase in the Group's placements with banks and other financial institutions with longer term and higher returns under the premise of maintaining manageable risks.

Interest income from financial assets held under resale agreements

For the year ended December 31, 2023, interest income from financial assets held under resale agreements increased by 32.2% to RMB499.9 million from RMB378.0 million for the year ended December 31, 2022, primarily because the average balance of financial assets held under resale agreements increased by 30.4% from RMB16,573.6 million for the year ended December 31, 2022 to RMB21,617.4 million for the year ended December 31, 2023, and the average yield of financial assets held under resale agreements increased from 2.28% for the year ended December 31, 2022 to 2.31% for the year ended December 31, 2023. The increase in the average balance of financial assets held under resale agreements was primarily because the Group increased the scale of financial assets held under resale agreements in accordance with its business development strategy, comprehensively taking into account liquidity and profitability. The increase in the average yield was primarily due to the fact that the increased financial assets held under resale agreements had longer terms and higher returns.

Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 7.0% from RMB210.8 million for the year ended December 31, 2022 to RMB225.5 million for the year ended December 31, 2023, primarily because the average balance of deposits with the central bank increased by 5.5% from RMB15,294.9 million for the year ended December 31, 2022 to RMB16,138.1 million for the year ended December 31, 2023. The increase in the average balance of deposits with the central bank was primarily due to a corresponding increase in statutory deposit reserves as deposits increased.

Interest income from deposits with banks and other financial institutions

For the year ended December 31, 2023, interest income from deposits with banks and other financial institutions decreased by 11.2% to RMB39.7 million from RMB44.7 million for the year ended December 31, 2022, primarily due to the average balance of deposits with banks and other financial institutions decreased by 28.1% from RMB1,965.0 million for the year ended December 31, 2022 to RMB1,412.2 million for the year ended December 31, 2023. The decrease in the average balance of deposits with banks and other financial institutions was primarily due to the decrease in certain deposits with joint stock banks for the purpose of improving capital efficiency.

3.3.3 Interest expense

The Group's interest expense increased by 3.4% from RMB7,135.8 million for the year ended December 31, 2022 to RMB7,378.7 million for the year ended December 31, 2023, primarily due to an increase of 8.9% in the average balance of interest-bearing liabilities from RMB278,669.8 million for the year ended December 31, 2022 to RMB303,357.6 million for the year ended December 31, 2023, partially offset by the decrease of 0.13 percentage point in the average cost of interest-bearing liabilities from 2.56% for the year ended December 31, 2022 to 2.43% for the year ended December 31, 2023.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 11.9% from RMB5,687.1 million for the year ended December 31, 2022 to RMB6,364.6 million for the year ended December 31, 2023, primarily because the Group strived to enlarge its customer base, focused on its core customer base, enhanced customer stickiness, built brand characteristics, and promoted the steady growth of the deposit by strengthening product innovation, channel expansion and scenario construction, which resulted in an 18.7% increase in the average balance of deposits from customers from RMB219,125.3 million for the year ended December 31, 2022 to RMB260,185.5 million for the year ended December 31, 2023. The average cost of deposits from customers decreased by 0.15 percentage point from 2.60% for the year ended December 31, 2022 to 2.45% for the year ended December 31, 2023. The decrease in the average cost was firstly due to the downward trend in market interest rates, the Group lowered its nominal interest rate for deposits accordingly, and secondly due to the Group's proactive adjustment of its deposit structure, with a decrease in the proportion of the average balance of certain term deposits with longer term and higher costs.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 92.3% from RMB15.5 million for the year ended December 31, 2022 to RMB1.2 million for the year ended December 31, 2023, primarily because the average balance of deposits from banks and other financial institutions decreased by 92.3% from RMB793.3 million for the year ended December 31, 2022 to RMB61.3 million for the year ended December 31, 2023, partially offset by the increase of 0.01 percentage point in the average cost of deposits from banks and other financial institutions from 1.95% for the year ended December 31, 2022 to 1.96% for the year ended December 31, 2023. The decrease in the average balance of the deposits from banks and other financial institutions was mainly because the interbank term deposits of the Group were unrenewed upon maturity.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased by 170.6% from RMB5.1 million for the year ended December 31, 2022 to RMB13.8 million for the year ended December 31, 2023, primarily because the average balance of placements from banks and other financial institutions increased by 111.0% from RMB298.9 million for the year ended December 31, 2022 to RMB630.7 million for the year ended December 31, 2023, as well as an increase of 0.48 percentage point in the average cost of placements from banks and other financial institutions from 1.71% for the year ended December 31, 2022 to 2.19% for the year ended December 31, 2023. The increase in the average balance of placements from banks and other financial institutions was mainly due to the increase in demand for short-term funds in line with the Group's liability management. The increase in the average cost was mainly affected by the rising interest rate of short-term funds in the market.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 27.9% from RMB294.0 million for the year ended December 31, 2022 to RMB376.0 million for the year ended December 31, 2023, mainly due to an increase of 8.7% in the average balance of financial assets sold under repurchase agreements from RMB16,761.1 million for the year ended December 31, 2022 to RMB18,227.1 million for the year ended December 31, 2023, as well as an increase of 0.31 percentage point in the average cost of financial assets sold under repurchase agreements from 1.75% for the year ended December 31, 2022 to 2.06% for the year ended December 31, 2023. The increase in the average balance of financial assets sold under repurchase agreements was mainly due to the increase in the number of repurchase transactions of the Group according to the liquidity and liability management. The increase in the average cost was mainly affected by the rising interest rate of short-term funds in the market.

Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 46.0% from RMB1,072.5 million for the year ended December 31, 2022 to RMB579.6 million for the year ended December 31, 2023, mainly due to a decrease of 42.9% in the average balance of debt securities issued from RMB38,682.3 million for the year ended December 31, 2022 to RMB22,098.7 million for the year ended December 31, 2023, as well as a decrease of 0.15 percentage point in the average cost of debt securities issued from 2.77% for the year ended December 31, 2022 to 2.62% for the year ended December 31, 2023. The decrease in the average balance of debt securities issued was mainly due to the fact that the Group adjusted its liability structure and decreased the issuance of interbank deposits according to the liquidity management needs; and the decrease in the average cost was mainly due to the lower interest rate and shorter maturity on issuance of interbank deposits affected by the market funding rate.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank decreased by 29.4% from RMB61.6 million for the year ended December 31, 2022 to RMB43.5 million for the year ended December 31, 2023, mainly due to a decrease of 28.4% in the average balance of borrowing from the central bank from RMB3,008.9 million for the year ended December 31, 2022 to RMB2,154.3 million for the year ended December 31, 2023, as well as a decrease of 0.03 percentage point in the average cost from 2.05% for the year ended December 31, 2022 to 2.02% for the year ended December 31, 2023. The decrease in the average balance of borrowing from the central bank was mainly due to the decrease in the relending loans to small and micro enterprises for which the Group applied to the central bank.

3.3.4 Net fee and commission income

The following table sets forth the principal components of net fee and commission income of the Group for the years ended December 31, 2022 and 2023.

	For the year ended December 31,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Settlement and clearing fees	**219.2**	235.4	(16.2)	(6.9)
Wealth management business service fees	**204.4**	205.0	(0.6)	(0.3)
Acceptance and guarantee service fees	**176.0**	208.0	(32.0)	(15.4)
Bank card service fees	**148.7**	149.0	(0.3)	(0.2)
Agency service fees and others	**112.6**	139.8	(27.2)	(19.5)
Subtotal	**860.9**	937.2	(76.3)	(8.1)
Fee and commission expense				
Bank card service fees	**(71.2)**	(67.8)	(3.4)	5.0
Settlement and clearing fees	**(44.4)**	(43.7)	(0.7)	1.6
Agency service fees and others	**(42.4)**	(91.7)	49.3	(53.8)
Subtotal	**(158.0)**	(203.2)	45.2	(22.2)
Net fee and commission income	**702.9**	734.0	(31.1)	(4.2)

Net fee and commission income decreased by 4.2% from RMB734.0 million for the year ended December 31, 2022 to RMB702.9 million for the year ended December 31, 2023. The fee and commission income decreased by 8.1% from RMB937.2 million for the year ended December 31, 2022 to RMB860.9 million for the year ended December 31, 2023, which was partially offset by 22.2% decrease in fee and commission expenses from RMB203.2 million for the year ended December 31, 2022 to RMB158.0 million for the year ended December 31, 2023. The decrease in fee and commission income was firstly due to the decrease in the exposure balance of the bank acceptance bills, leading to a drop in acceptance-related fees, and secondly due to the decrease in agency service fees affected by the decrease in underwriting business, and thirdly due to the decrease in the income of the settlement and clearing fees affected by the decrease of volume of credit card settlement business.

3.3.5 Net trading gains

Net trading gains of the Group decreased from negative RMB32.5 million for the year ended December 31, 2022 to negative RMB78.5 million for the year ended December 31, 2023, primarily due to the fact that the net trading gains decreased accordingly resulting from the decrease in gains and losses on changes in fair value of the fund products measured at fair value through profit and loss for the period.

3.3.6 Net gains arising from investment securities

Net gains arising from investment securities of the Group decreased by 3.3% from RMB917.6 million for the year ended December 31, 2022 to RMB887.0 million for the year ended December 31, 2023, primarily due to the fact that the Group optimized the asset structure and reduced the scale of funds, and the dividends from funds decreased accordingly.

3.3.7 Operating expenses

The following table sets forth the principal components of operating expenses of the Group for the years ended December 31, 2022 and 2023.

	For the year ended December 31,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Staff costs	**1,432.4**	1,326.8	105.6	8.0
Depreciation and amortization	**320.2**	324.3	(4.1)	(1.3)
Taxes and surcharges	**89.0**	86.2	2.8	3.2
Rental and property management expenses	**42.6**	43.0	(0.4)	(0.9)
Other general and administrative expenses[1]	**464.2**	406.4	57.8	14.2
Total operating expenses	**2,348.4**	2,186.7	161.7	7.4
Cost-to-income ratio[2]	**38.94%**	39.93%		

Notes:

(1) Consist primarily of insurance premiums, electronic equipment operating costs, business marketing expenses, consulting fees and banknote shipping fees.

(2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

Operating expenses increased by 7.4% from RMB2,186.7 million for the year ended December 31, 2022 to RMB2,348.4 million for the year ended December 31, 2023, mainly because of an increase in staff costs and other general and administrative expenses.

Staff costs

Staff costs increased by 8.0% from RMB1,326.8 million for the year ended December 31, 2022 to RMB1,432.4 million for the year ended December 31, 2023. The following table sets forth the main components of staff costs for the periods indicated.

	For the year ended December 31,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**1,011.5**	964.8	46.7	4.8
Social insurance and annuity	**257.5**	212.6	44.9	21.1
Housing allowances	**81.1**	70.3	10.8	15.4
Staff welfare	**55.7**	53.9	1.8	3.3
Employee education expenses and labour union expenses	**19.0**	21.6	(2.6)	(12.0)
Supplementary retirement benefits	**1.0**	(1.0)	2.0	N/A
Others	**6.6**	4.6	2.0	43.5
Total staff costs	**1,432.4**	1,326.8	105.6	8.0

Depreciation and amortization

Depreciation and amortization decreased by 1.3% from RMB324.3 million for the year ended December 31, 2022 to RMB320.2 million for the year ended December 31, 2023, which was basically the same as that of last year.

Taxes and surcharges

Taxes and surcharges increased by 3.2% from RMB86.2 million for the year ended December 31, 2022 to RMB89.0 million for the year ended December 31, 2023, mainly due to an increase in taxable income along with the Group's business development and expansion.

Rental and property management expenses

Rental and property management expenses decreased by 0.9% from RMB43.0 million for the year ended December 31, 2022 to RMB42.6 million for the year ended December 31, 2023, which was basically the same as that of last year.

Other general and administrative expenses

Other general and administrative expenses primarily consisted of insurance premiums, electronic equipment operating costs, business marketing expenses, consulting fee and banknote shipping fee. The Group's other general and administrative expenses increased by 14.2% from RMB406.4 million for the year ended December 31, 2022 to RMB464.2 million for the year ended December 31, 2023.

3.3.8 Impairment losses on credit

The following table sets forth the principal components of the Group's impairment losses on credit for the periods indicated.

	For the year ended December 31,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Impairment losses on credit				
Loans and advances to customers	**959.1**	1,229.3	(270.2)	(22.0)
Financial investments	**474.3**	358.7	115.6	32.2
Placements with banks and other financial institutions	**20.7**	6.0	14.7	245.0
Deposits with banks and other financial institutions	**(0.2)**	(0.9)	0.7	(77.8)
Credit commitments	**(29.5)**	(333.9)	304.4	(91.2)
Others	**7.6**	(21.3)	28.9	(135.7)
Total	**1,432.0**	1,237.9	194.1	15.7

The Group's impairment losses on credit were RMB1,432.0 million for the year ended December 31, 2023, representing an increase of 15.7% from RMB1,237.9 million for the year ended December 31, 2022, primarily due to the fact that the financial investments increased the provision for an impairment loss of such asset based on the expected credit loss method model and the prudent, dynamic and objective assessment of future risk exposures, taking into account macro-economic situations, default rates, default probabilities and the Group's actual situation.

3.3.9 Income tax expense

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the year ended December 31,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**2,033.9**	1,856.3	177.6	9.6
Income tax calculated at applicable statutory tax rate of 25%	**508.4**	464.1	44.3	9.5
Non-deductible expenses and others	**44.6**	57.0	(12.4)	(21.8)
Non-taxable income[1]	**(519.7)**	(500.2)	(19.5)	3.9
Income tax expense	**33.3**	20.9	12.4	59.3

Note:

(1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax expense increased by 59.3% from RMB20.9 million for the year ended December 31, 2022 to RMB33.3 million for the year ended December 31, 2023, mainly due to the increase in profit before tax of the Group.

3.4 Financial Statement Analysis

3.4.1 Assets

The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**22,260.5**	**6.2**	16,956.8	5.0
Deposits with banks and other financial institutions	**2,356.7**	**0.7**	1,797.4	0.5
Placements with banks and other financial institutions	**13,674.4**	**3.8**	1,581.8	0.5
Financial assets held under resale agreements	**41,514.9**	**11.5**	28,141.0	8.4
Net loans and advances to customers	**185,609.7**	**51.3**	180,905.8	53.8
Net financial investments	**90,815.4**	**25.0**	102,253.7	30.4
Investment in an associate	**343.6**	**0.1**	331.4	0.1
Property and equipment	**1,306.4**	**0.4**	1,319.8	0.4
Deferred tax assets	**2,079.3**	**0.6**	1,775.4	0.5
Other assets[(1)]	**1,344.1**	**0.4**	1,356.4	0.4
Total assets	**361,305.0**	**100.0**	336,419.5	100.0

Note:

(1) Consists primarily of accounts receivable and temporary payments, intangible assets, right-to-use assets and debt assets.

The Group's total assets increased by 7.4% from RMB336,419.5 million as of December 31, 2022 to RMB361,305.0 million as of December 31, 2023, primarily because the Group continuously optimized its business structure and increased the scale of credit assets and interbank assets in accordance with the Group's asset and liability management requirements.

Loans and advances to customers

The following table sets forth the breakdown of the Group's loans by business line as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate loans	**120,284.4**	**62.8**	109,512.0	58.9
Personal loans	**31,819.7**	**16.6**	28,806.8	15.5
Discounted bills	**39,332.0**	**20.6**	47,733.1	25.6
Gross loans and advances to customers	**191,436.1**	**100.0**	186,051.9	100.0
Interest accrued	**951.9**		774.1	
Less: Allowance for impairment on loans and advances to customers measured at amortized cost	**(6,778.3)**		(5,920.2)	
Net loans and advances to customers	**185,609.7**		180,905.8	

Corporate loans

As of December 31, 2023, the Group's corporate loans amounted to RMB120,284.4 million, representing an increase of 9.8% from RMB109,512.0 million as of December 31, 2022, mainly because the Group closely centered around the key areas, including transformation and development of a resource-based economy, pilot projects for comprehensive reform of the energy revolution, ecological protection of the Yellow River basin, continued to enhance the finance matching and basic factor guarantees, supported the industrial transformation with a clear direction, developed inclusive finance in a distinct manner, took more measures to serve the private economy, and introduced more financial resources into key reforms and critical projects in Shanxi Province.

The following table sets forth the breakdown of the Group's corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Short-term loans and advances (one year or less)	**48,935.5**	**40.7**	44,860.0	41.0
Medium- and long-term loans (above one year)	**71,348.9**	**59.3**	64,652.0	59.0
Total corporate loans	**120,284.4**	**100.0**	109,512.0	100.0

Short-term loans and advances as a percentage of total corporate loans decreased from 41.0% as of December 31, 2022 to 40.7% as of December 31, 2023, while medium- and long-term loans as a percentage of total corporate loans increased from 59.0% as of December 31, 2022 to 59.3% as of December 31, 2023. The percentage change of the above-mentioned corporate loan portfolio was mainly because based on the arrangement and deployment for economic work in Shanxi Province, the Group focused on the pattern of economic development and key industrial planning of Shanxi Province, and constantly aligned with provincial and municipal key engineering projects, key projects in Taiyuan and Xinzhou Integrated Economic Zone and the transformative and upgrading projects of the traditional manufacturing industry. Project loans reserved in the early stage were granted effectively during the year, thereby supporting the development of real enterprises in Shanxi Province precisely and effectively.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Working capital loans	**75,797.8**	**63.0**	65,007.5	59.4
Fixed asset loans	**33,311.2**	**27.7**	34,875.4	31.8
Others(1)	**11,175.4**	**9.3**	9,629.1	8.8
Total corporate loans	**120,284.4**	**100.0**	109,512.0	100.0

Note:

(1) Consist primarily of trade financing, syndicated loans and merger and acquisition loans.

Personal loans

As of December 31, 2023, the Group's personal loans amounted to RMB31,819.7 million, representing an increase of 10.5% from RMB28,806.8 million as of December 31, 2022, mainly because the Group actively promoted digital transformation of personal loans, continuously improved the ability of customer service, positively supported the housing consumption and daily consumption of the residents, increased support for the real economy, and provided credit support for micro and small enterprise owners and individual business owners.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Residential mortgage loans	**22,983.7**	**72.2**	20,208.8	70.2
Personal consumption loans	**2,938.7**	**9.2**	2,202.9	7.6
Personal business loans	**1,294.6**	**4.1**	1,696.9	5.9
Credit card balances	**4,602.7**	**14.5**	4,698.2	16.3
Total personal loans	**31,819.7**	**100.0**	28,806.8	100.0

As of December 31, 2023, residential mortgage loans were RMB22,983.7 million, representing an increase of 13.7% from RMB20,208.8 million as of December 31, 2022, mainly because the Group actively gave full play to its service philosophy as a local financial enterprise, provided housing financial capital for residents in Shanxi Province, helped local residents to live in contentment, and enabled finance to build a better life.

As of December 31, 2023, personal consumption loans amounted to RMB2,938.7 million, representing an increase of 33.4% from RMB2,202.9 million as of December 31, 2022, mainly attributable to the Group's vigorous promotion of online financial services, active research and development of consumer credit products, providing customers with convenient services, resulting in the ongoing improvement in the scale of consumption loans with core products such as housing e-loan (房e貸) and credit e-loan (信e貸).

As of December 31, 2023, personal business loans amounted to RMB1,294.6 million, representing a decrease of 23.7% from RMB1,696.9 million as of December 31, 2022, which was primarily due to the fact that some of the personal business loans were not renewed upon maturity as a result of intense market competition.

As of December 31, 2023, credit card balances amounted to RMB4,602.7 million, representing a decrease of 2.0% from RMB4,698.2 million as of December 31, 2022, which was primarily due to the fact that during the Reporting Period, on the one hand, with the rise of the consumer finance market, various consumer financial products and "credit card-like" products emerged, which fragmented the young consumer market; on the other hand, the overall customer vitality of the credit card industry declined, which had a certain impact on credit card consumption.

Discounted bills

The balance of discounted bills decreased by 17.6% from RMB47,733.1 million as of December 31, 2022 to RMB39,332.0 million as of December 31, 2023, which was primarily due to the appropriate reduction of the scale of discounted bills as a result of the comprehensive consideration by the Group of asset allocation and the level of gains.

Financial investments

As of December 31, 2023, the Group's net financial investments (mainly consisting of debt securities investment and special purpose vehicles ("**SPV**") investment) reached RMB90,815.4 million, representing a decrease of 11.2% from RMB102,253.7 million as of December 31, 2022, which was primarily due to the fact that the Group proactively adjusted its asset structure and moderately reduced the scale of funds which were largely affected by market fluctuations.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2022 and December 31, 2023.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Financial investments measured at amortised cost	**75,117.9**	**82.0**	63,097.0	61.4
Financial investments measured at fair value through other comprehensive income	**4,731.0**	**5.2**	4,058.9	4.0
Financial investments measured at fair value through profit or loss	**11,731.8**	**12.8**	35,522.2	34.6
Total financial investments	**91,580.7**	**100.0**	102,678.1	100.0
Interest accrued	**1,056.9**		923.5	
Less: allowance for impairment losses	**(1,822.2)**		(1,347.9)	
Net financial investments	**90,815.4**		102,253.7	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investment by issuer as of December 31, 2022 and December 31, 2023.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Debt securities issued by the PRC government	**49,788.7**	**69.6**	38,197.0	67.4
Debt securities issued by policy banks	**15,228.8**	**21.2**	15,510.0	27.3
Debt securities issued by commercial banks and other financial institutions	**5,357.0**	**7.5**	1,601.5	2.8
Debt securities issued by corporates	**1,187.1**	**1.7**	1,404.5	2.5
Total debt securities investment	**71,561.6**	**100.0**	56,713.0	100.0

The Group's investment in debt securities issued by the PRC government increased by 30.3% from RMB38,197.0 million as of December 31, 2022 to RMB49,788.7 million as of December 31, 2023, which was primarily because the Group increased allocation in debt securities issued by the PRC government as a result of the Group's optimisation of the structure of its assets and liabilities.

The Group's investment in debt securities issued by policy banks decreased by 1.8% from RMB15,510.0 million as of December 31, 2022 to RMB15,228.8 million as of December 31, 2023, which was basically the same as that of the end of last year.

The Group's investment in debt securities issued by commercial banks and other financial institutions increased by 234.5% from RMB1,601.5 million as of December 31, 2022 to RMB5,357.0 million as of December 31, 2023, primarily due to the moderate increase of allocation in debt securities issued by commercial banks and other financial institutions as a result of the Group's optimisation of the structure of its assets and liabilities.

The Group's investment in debt securities issued by corporates decreased by 15.5% from RMB1,404.5 million as of December 31, 2022 to RMB1,187.1 million as of December 31, 2023, primarily due to an appropriate decrease in the holding amount in debt securities issued by corporates after comprehensive consideration of cost income and risk factors.

SPV investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2022 and December 31, 2023.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Trust plans	**854.8**	**8.4**	927.8	2.8
Asset management plans	**1,231.4**	**12.2**	1,595.7	4.8
Funds	**8,062.7**	**79.4**	30,821.2	92.4
Total SPV investment	**10,148.9**	**100.0**	33,344.7	100.0

As of December 31, 2023, the total SPV investment decreased from RMB33,344.7 million as of December 31, 2022 to RMB10,148.9 million, which was because the Group reduced the scale of funds whose income is greatly affected by market fluctuations as the result of its adjustment of investment and financing structure.

Other Components of the Group's Assets

The following table sets forth the composition of the Group's other components of assets as of December 31, 2022 and December 31, 2023:

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**22,260.5**	**26.2**	16,956.8	31.9
Deposits with banks and other financial institutions	**2,356.7**	**2.8**	1,797.4	3.4
Placements with banks and other financial institutions	**13,674.4**	**16.1**	1,581.8	3.0
Financial assets held under resale agreements	**41,514.9**	**48.9**	28,141.0	52.8
Investment in an associate	**343.6**	**0.4**	331.4	0.6
Property and equipment	**1,306.4**	**1.5**	1,319.8	2.5
Deferred tax assets	**2,079.3**	**2.5**	1,775.4	3.3
Other assets[(1)]	**1,344.1**	**1.6**	1,356.4	2.5
Total other components of assets	**84,879.9**	**100.0**	53,260.0	100.0

Note:

(1) Consists primarily of accounts receivable and prepayments, intangible assets, right-of-use assets and debt assets.

As of December 31, 2023, total other components of assets increased by 59.4% to RMB84,879.9 million from RMB53,260.0 million as of December 31, 2022, which was mainly due to the increase in financial assets held under resale agreements, cash and deposits with the central bank and placements with banks and other financial institutions. Cash and deposits with the central bank increased by 31.3% to RMB22,260.5 million from RMB16,956.8 million as of December 31, 2022, mainly due to the increase in statutory deposit reserves and surplus deposit reserves resulted from the increase in deposits. Financial assets held under resale agreements increased by 47.5% to RMB41,514.9 million from RMB28,141.0 million as of December 31, 2022, and placements with banks and other financial institutions increased by 764.5% to RMB13,674.4 million from RMB1,581.8 million as of December 31, 2022, mainly due to the appropriate increase in the sizes of financial assets held under resale agreements and placements with banks and other financial institutions after the Group's comprehensive consideration of the income level.

3.4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Borrowing from the central bank	**1,726.2**	**0.5**	2,873.7	0.9
Deposits from banks and other financial institutions	**46.9**	**0.0**	120.1	0.0
Financial assets sold under repurchase agreements	**22,078.7**	**6.6**	20,215.5	6.5
Deposits from customers	**288,250.4**	**85.6**	253,770.9	81.1
Income tax payable	**322.4**	**0.1**	152.0	0.0
Debt securities issued(1)	**21,825.9**	**6.5**	33,534.2	10.7
Other liabilities(2)	**2,241.7**	**0.7**	2,399.5	0.8
Total liabilities	**336,492.2**	**100.0**	313,065.9	100.0

Notes:

(1) Consist of interbank deposits and tier-two capital debts.

(2) Consist primarily of employee compensation payable, lease liabilities, provisions and dividend payable.

As of December 31, 2023, the Group's total liabilities amounted to RMB336,492.2 million, representing an increase of 7.5% from RMB313,065.9 million as of December 31, 2022, mainly due to an increase in the scale of deposits from customers.

Deposits from customers

As of December 31, 2023, the Group's deposits from customers amounted to RMB288,250.4 million, representing an increase of 13.6% from RMB253,770.9 million as of December 31, 2022. The increase in deposits from customers was mainly due to the increase in the settlement cash flow of related accounts of marketing asset customers, the increase in stable deposits and the deposits of financial customers, as well as the continuous improvement of the Group's service to individual customers and the driving effect of various initiatives that promote the development of various retail businesses on personal deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2022 and December 31, 2023.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**57,557.2**	**20.5**	51,771.4	20.8
Time	**70,109.4**	**24.9**	55,825.2	22.5
Subtotal	**127,666.6**	**45.4**	107,596.6	43.3
Personal deposits				
Demand	**14,452.6**	**5.1**	16,896.0	6.8
Time	**119,395.0**	**42.5**	103,106.2	41.5
Subtotal	**133,847.6**	**47.6**	120,002.2	48.3
Others(1)	**19,567.8**	**7.0**	20,835.0	8.4
Total	**281,082.0**	**100.0**	248,433.8	100.0
Interest accrued	**7,168.4**		5,337.1	
Deposits from customers	**288,250.4**		253,770.9	

Note:

(1) Consist primarily of pledged deposits, inward and outward remittances and fiscal deposits.

Debt securities issued

As of December 31, 2023, debt securities issued amounted to RMB21,825.9 million, representing a decrease of 34.9% from RMB33,534.2 million as of December 31, 2022, and the decrease in debt securities issued was mainly due to the decrease in the issuance of certificates of interbank deposit by the Group and the non-renewal of financial bonds at maturity.

Financial assets sold under repurchase agreements

As of December 31, 2023, financial assets sold under repurchase agreements amounted to RMB22,078.7 million, representing an increase of 9.2% from RMB20,215.5 million as of December 31, 2022, primarily because the Group increased its short-term interbank liabilities appropriately in accordance with the needs of asset and liability management.

3.4.3 Equity

The following table sets forth the components of the Group's equity as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Share capital	**5,838.7**	**23.5**	5,838.7	25.0
Capital reserve	**6,627.6**	**26.7**	6,627.6	28.4
Surplus reserve	**4,361.3**	**17.6**	3,976.7	17.0
General reserve	**4,228.1**	**17.0**	3,742.2	16.0
Fair value reserve	**(42.6)**	**(0.2)**	(97.9)	(0.4)
Impairment reserve	**3.5**	**0.0**	15.0	0.1
Deficit on remeasurement of net defined benefit liability	**(5.3)**	**(0.0)**	(4.1)	(0.0)
Retained earnings	**3,785.3**	**15.3**	3,236.9	13.8
Equity attributable to equity holders of the Bank	**24,796.6**	**99.9**	23,335.1	99.9
Non-controlling interests	**16.2**	**0.1**	18.5	0.1
Total equity	**24,812.8**	**100.0**	23,353.6	100.0

As of December 31, 2023, the total equity of the Group amounted to RMB24,812.8 million, representing an increase of 6.2% from RMB23,353.6 million as of December 31, 2022. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB24,796.6 million, representing an increase of 6.3% from RMB23,335.1 million as of December 31, 2022. The increase in equity was mainly attributable to an increase in retained earnings from the realization of net profit, which was partially offset by the distribution of dividends during the period. For the year ended December 31, 2023, the Group realized a net profit of RMB2,000.6 million; according to the 2022 profit appropriation plan approved at the general meeting, cash dividends of RMB583.9 million were distributed to all shareholders of the Bank.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2022 and 2023.

	As of December 31, 2023	As of December 31, 2022
	(in millions of RMB)	
Loan commitments	**8,803.2**	9,051.1
Credit card commitments	**6,724.9**	6,309.3
Bank acceptances	**44,684.7**	39,084.6
Letters of credit	**9,552.6**	8,157.0
Letters of guarantee	**109.7**	198.5
Capital commitments	**19.4**	66.9
Others	**–**	599.0
Total off-balance sheet commitments	**69,894.5**	63,466.4

As of December 31, 2023, the Group's total off-balance sheet commitments amounted to RMB69,894.5 million, representing an increase of 10.1% from RMB63,466.4 million as of December 31, 2022, mainly due to bank acceptances and letters of credit increased by RMB5,600.1 million and RMB1,395.6 million respectively as compared with the end of the previous year.

3.6 Asset Quality Analysis

Distribution of loans by the five-category loan classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2022 and 2023. According to the current guidelines of risk-based classification of loans, NPLs are classified as substandard, doubtful and loss.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Normal	**180,926.1**	**94.5**	175,098.0	94.1
Special Mention	**7,097.7**	**3.7**	7,600.0	4.1
Subtotal	**188,023.8**	**98.2**	182,698.0	98.2
Substandard	**867.5**	**0.4**	2,696.5	1.4
Doubtful	**1,667.5**	**0.9**	125.5	0.1
Loss	**877.3**	**0.5**	531.9	0.3
Subtotal	**3,412.3**	**1.8**	3,353.9	1.8
Gross loans and advances to customers	**191,436.1**	**100.0**	186,051.9	100.0
NPL ratio[1]		**1.78**		1.80

Note:

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

As of December 31, 2023, according to the five-category loan classification, the Group's normal loans amounted to RMB180,926.1 million, representing an increase of RMB5,828.1 million from that as of December 31, 2022, accounting for 94.5% of the gross loans and advances to customers. Special mention loans amounted to RMB7,097.7 million, representing a decrease of RMB502.3 million from that as of December 31, 2022, accounting for 3.7% of the gross loans and advances to customers. NPLs amounted to RMB3,412.3 million, representing an increase of RMB58.4 million from that as of December 31, 2022. The NPL ratio was 1.78%, representing a decrease of 0.02 percentage point from that as of December 31, 2022. The increase in the total NPLs and decrease in the NPL ratio were mainly due to the fact that, affected by the economic cycle, industrial regulation and other factors, certain small and micro enterprises' anti-risk ability was insufficient and they were greatly affected by market fluctuations, resulting in the tight capital chain, reduced solvency and overdue loans. Meanwhile, as the income of certain individual customers was unstable, resulting in the default of personal loan products such as credit cards, NPLs therefore increased. The Group took multiple measures at the same time, actively implemented the works of clearing the old NPLs and controlling the new NPLs, increased efforts in the collection and disposal of NPLs, continuously increased the credit support for the real economy, and steadily improved the asset quality.

Distribution of loans by collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2022 and 2023.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Pledged loans[1]	**50,239.1**	**26.2**	56,688.0	30.5
Collateralized loans[1]	**29,073.5**	**15.2**	25,476.0	13.7
Guaranteed loans[1]	**85,809.1**	**44.8**	83,718.3	45.0
Unsecured loans	**26,314.4**	**13.8**	20,169.6	10.8
Gross loans and advances to customers	**191,436.1**	**100.0**	186,051.9	100.0

Note:

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

Distribution of corporate loans by industry

The following table sets forth the distribution of the Group's corporate loans by industry as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Manufacturing	**43,960.9**	**36.6**	40,371.8	36.8
Mining	**23,610.6**	**19.6**	20,878.2	19.0
Wholesale and retail	**10,089.9**	**8.4**	11,694.7	10.7
Leasing and business services	**8,985.8**	**7.5**	7,631.0	7.0
Real estate	**8,469.3**	**7.0**	8,204.3	7.5
Construction	**6,942.4**	**5.8**	4,557.1	4.2
Electricity, heating, gas and water production and supply	**5,081.7**	**4.2**	3,978.7	3.6
Water, environment and public utility management	**3,595.4**	**3.0**	3,228.3	2.9
Transportation, storage and postal services	**3,043.9**	**2.5**	1,929.9	1.8
Finance	**2,841.4**	**2.4**	3,128.1	2.9
Lodging and catering	**591.2**	**0.5**	642.4	0.6
Agriculture, forestry, animal husbandry and fishery	**154.6**	**0.1**	180.1	0.2
Education	**138.0**	**0.1**	135.2	0.1
Others[(1)]	**2,779.3**	**2.3**	2,952.2	2.7
Total corporate loans	**120,284.4**	**100.0**	109,512.0	100.0

Note:

(1) Consist primarily of the following industries: (i) scientific research and technical services, (ii) culture, sports and entertainment, (iii) health and social works, (iv) information transmission, software and information technology services, and (v) resident services, maintenance and other services.

For the year ended December 31, 2023, the Group further optimized its credit structure and actively supported the development of the real economy. As of December 31, 2023, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, wholesale and retail, leasing and business services and real estate, and the total loans to corporate customers in the top five industries amounted to RMB95,116.5 million, accounting for 79.1% of the total corporate loans and advances to customers granted by the Group.

Distribution of non-performing corporate loans by industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of December 31, 2023			As of December 31, 2022		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Real estate	**894.0**	**34.3**	**10.56**	1,038.0	37.6	12.65
Leasing and business services	**602.8**	**23.2**	**6.71**	676.6	24.5	8.87
Wholesale and retail	**454.1**	**17.4**	**4.50**	330.7	12.0	2.83
Manufacturing	**327.9**	**12.6**	**0.75**	298.0	10.8	0.74
Construction	**280.2**	**10.8**	**4.04**	349.7	12.7	7.67
Lodging and catering	**11.4**	**0.4**	**1.93**	21.1	0.8	3.28
Agriculture, forestry, animal husbandry and fishery	**8.7**	**0.3**	**5.63**	9.4	0.3	5.22
Mining	**–**	**–**	**–**	9.3	0.3	0.04
Education	**5.6**	**0.2**	**4.06**	5.6	0.2	4.14
Transportation, storage and postal services	**3.9**	**0.1**	**0.13**	5.2	0.2	0.27
Electricity, heating, gas and water production and supply	**–**	**–**	**–**	4.6	0.2	0.12
Water, environment and public utility management	**1.5**	**0.1**	**0.04**	1.5	0.1	0.05
Others[2]	**12.6**	**0.6**	**0.45**	9.8	0.3	0.33
Total non-performing corporate loans	**2,602.7**	**100.0**	**2.16**	2,759.5	100.0	2.52

Notes:

(1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) Consist primarily of the following industries: (i) health and social work, (ii) culture, sports and entertainment, (iii) information transmission, software and information technology services, (iv) resident services, maintenance and other services, and (v) scientific research and technical services.

As of December 31, 2023, the Group's non-performing corporate loans were mainly from real estate, leasing and business services, wholesale and retail industry.

As of December 31, 2022 and 2023, the NPL ratios for corporate loans to the real estate industry were 12.65% and 10.56%, respectively; non-performing corporate loans to borrowers in such industry accounted for 37.6% and 34.3% of the total non-performing corporate loans, respectively; the balance of non-performing corporate loans to the real estate industry decreased from RMB1,038.0 million as of December 31, 2022 to RMB894.0 million as of December 31, 2023. There is a sufficient amount of collateral despite the relatively high balance of non-performing loans in the real estate industry. The Group has adopted measures in relation to the preservation of assets, which has reached the stage of judicial compulsory enforcement. With the continuous optimization of the macro-control policies for the real estate industry and the gradual implementation of various national policies such as "ensuring timely deliveries of presold homes", the Group continued to increase its efforts in collection and disposal, so that a downward trend has shown in such balance of NPLs and the NPL ratio.

As of December 31, 2022 and 2023, the NPL ratios for corporate loans to the leasing and commercial services industry were 8.87% and 6.71%, respectively; non-performing corporate loans to borrowers in such industry accounted for 24.5% and 23.2% of the total non-performing corporate loans, respectively. Due to the macroeconomic slowdown and fluctuations in market demand, the rents and rental rates of commercial complexes held by certain companies fell, and the operating performance of these companies declined, resulting in the default of loans of the Group. The Group has taken various targeted measures to pursue collection. With the recovery of market demand and the policies on helping enterprises taking effect, the operating conditions of certain enterprises have gradually improved. The Group has reached repayment agreements with some of its borrowers, so that a downward trend has shown in such balance of NPLs and the NPL ratio.

As of December 31, 2022 and 2023, the NPL ratio for corporate loans in the wholesale and retail industry was 2.83% and 4.50%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 12.0% and 17.4% of the total non-performing corporate loans, respectively. The increase in the balance of NPL and the NPL ratio in the industry was mainly due to low entry barriers of the industry, and the fact that certain borrowing enterprises, severely affected by changes in the economic conditions and increasing market competition, encountered difficulties in their own operations and were unable to make normal repayment, thereby resulting in the default of loans of the Group and an increase in NPLs.

Distribution of NPLs by product type

The following table sets forth the distribution of NPLs by product type as of the dates indicated.

	As of December 31, 2023			As of December 31, 2022		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**1,451.2**	**42.5**	**1.91**	1,537.0	45.8	2.36
Fixed asset loans	**1,151.0**	**33.8**	**3.46**	1,222.1	36.4	3.50
Other loans[2]	**0.5**	**0.0**	**0.00**	0.4	0.0	0.00
Subtotal	**2,602.7**	**76.3**	**2.16**	2,759.5	82.2	2.52
Personal loans						
Residential mortgage loans	**208.7**	**6.1**	**0.91**	144.9	4.3	0.72
Personal consumption loans	**93.6**	**2.7**	**3.19**	80.2	2.4	3.64
Personal business loans	**126.6**	**3.7**	**9.78**	119.3	3.6	7.03
Credit cards	**380.7**	**11.2**	**8.27**	250.0	7.5	5.32
Subtotal	**809.6**	**23.7**	**2.54**	594.4	17.8	2.06
Total NPLs	**3,412.3**	**100.0**	**1.78**	3,353.9	100.0	1.80

Notes:

(1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.

(2) Consist primarily of advances for bank acceptances.

The NPL ratio for corporate loans decreased from 2.52% as of December 31, 2022 to 2.16% as of December 31, 2023, while the balance of non-performing corporate loans decreased from RMB2,759.5 million as of December 31, 2022 to RMB2,602.7 million as of December 31, 2023. The decline in the balance of non-performing corporate loans is due to the fact that, on the one hand, in 2023, the Group further intensified the collection and disposal of the outstanding non-performing loans and took multiple measures to defuse risk; on the other hand, it enhanced post-lending supervision, constantly improved the risk management system and mechanism, strengthened risk monitoring, and strictly prevented the emergence of new non-performing loans.

The NPL ratio for personal loans increased from 2.06% as of December 31, 2022 to 2.54% as of December 31, 2023, and the balance of NPLs for personal loans increased from RMB594.4 million as of December 31, 2022 to RMB809.6 million as of December 31, 2023. The increase in the balance of NPLs for personal loans was primarily caused by the reduction of personal and family income of certain customers affected by the macro-environment, the weakening of borrowing capacity and the increase of debt repayment pressure.

Distribution of NPLs by geographical region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2022 and 2023.

	As of December 31, 2023			As of December 31, 2022		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,446.4**	**71.7**	**2.06**	2,292.9	68.4	1.80
Outside Taiyuan	**965.9**	**28.3**	**1.33**	1,061.0	31.6	1.80
Total NPLs	**3,412.3**	**100.0**	**1.78**	3,353.9	100.0	1.80

Note:

(1) Calculated by dividing NPLs in each region by gross loans and advances to customers in that region.

Borrowers concentration

Loans to the ten largest single borrowers

In accordance with applicable PRC Banking Industry guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of December 31, 2023, the Group's loans to the largest single borrower accounted for 8.1% of the Group's net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan balance to the ten largest single borrowers as of the date indicated.

		As of December 31, 2023			
	Industry	**Amount**	**% of total loans (%)**	**% of net capital base[1] (%)**	**Classification**
		(in millions of RMB, except percentages)			
Borrower A	Manufacturing	**2,341.4**	**1.2**	**8.1**	Normal
Borrower B	Manufacturing	**2,133.1**	**1.1**	**7.4**	Normal
Borrower C	Manufacturing	**1,853.0**	**1.0**	**6.4**	Normal
Borrower D	Leasing and business services	**1,712.3**	**0.9**	**5.9**	Normal
Borrower E	Finance	**1,640.0**	**0.9**	**5.7**	Normal
Borrower F	Manufacturing	**1,604.4**	**0.8**	**5.5**	Normal
Borrower G	Manufacturing	**1,581.5**	**0.8**	**5.5**	Normal
Borrower H	Manufacturing	**1,550.0**	**0.8**	**5.4**	Normal
Borrower I	Manufacturing	**1,505.0**	**0.8**	**5.2**	Normal
Borrower J	Construction	**1,497.0**	**0.8**	**5.2**	Normal
Total		**17,417.7**	**9.1**	**60.3**	

Note:

(1) Represents loan balances as a percentage of the net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administrative Measures for Commercial Banks (Provisional) and based on the financial statements prepared in accordance with the PRC GAAP.

As of December 31, 2023, the balance of the Group's loans to the largest single borrower amounted to RMB2,341.4 million, accounting for 1.2% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB17,417.7 million, accounting for 9.1% of the gross loans and advances to customers.

Loan aging schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of December 31, 2023		As of December 31, 2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Current loan	**187,445.4**	**97.9**	182,326.8	98.0
Loans past due for				
Up to 3 months[1]	**950.6**	**0.5**	821.1	0.4
Over 3 months up to 6 months[1]	**115.6**	**0.1**	125.1	0.1
Over 6 months up to 1 year[1]	**211.8**	**0.1**	754.9	0.4
Over 1 year up to 3 years[1]	**2,363.5**	**1.2**	1,792.2	1.0
Over 3 years[1]	**349.2**	**0.2**	231.8	0.1
Subtotal	**3,990.7**	**2.1**	3,725.1	2.0
Gross loans and advances to customers	**191,436.1**	**100.0**	186,051.9	100.0

Note:

(1) Represents the principal amount of loans with principal or interest overdue as of the dates indicated.

Changes to allowance for impairment losses

Allowance for impairment losses on loans to customers increased by 14.2% from RMB5,938.0 million as of January 1, 2023 to RMB6,780.7 million as of December 31, 2023, mainly due to the increase in the allowance for impairment losses by the Group based on the loan for each stage as of December 31, 2023.

	As of December 31, 2023 Amount	As of December 31, 2022 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**5,938.0**[(1)]	5,281.5[(3)]
Charge for the period	**959.1**	1,229.3
Transfer out	**(39.8)**	(328.4)
Recoveries	**5.2**	4.5
Write-offs	**–**	(143.8)
Other changes	**(81.8)**	(105.1)
End of the period	**6,780.7**[(2)]	5,938.0

Notes:

(1) includes (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,920.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB17.8 million.

(2) includes (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB6,778.3 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB2.4 million.

(3) includes (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.

3.7 Geographical Segments Report

In presenting information by geographical segments, operating income is gathered according to the locations of the branches or subsidiaries that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The following table sets forth the total operating income of each geographical region for the periods indicated.

	For the year ended December 31,			
	2023		2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Taiyuan	**4,378.4**	**75.5**	4,206.7	80.0
Outside Taiyuan	**1,423.8**	**24.5**	1,053.5	20.0
Total operating income	**5,802.2**	**100.0**	5,260.2	100.0

3.8 Capital Adequacy Ratio and Leverage Ratio Analysis

The Group is subject to capital adequacy requirements as promulgated by the former CBIRC. The following table sets forth relevant information relating to the Group's capital adequacy ratio as of the dates indicated, which is calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) issued by the former China Banking Regulatory Commission (the "**former CBRC**") and the PRC GAAP.

	As of December 31, 2023	As of December 31, 2022
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**4,361.3**	3,976.7
– General reserve	**4,228.1**	3,742.2
– Other comprehensive income	**(44.4)**	(87.0)
– Retained earnings	**3,785.3**	3,236.9
– Qualifying portion of non-controlling interests	**6.0**	6.8
Total core tier-one capital	**24,802.6**	23,341.9
Core tier-one capital deductions	**(344.3)**	(289.6)
Net core tier-one capital	**24,458.3**	23,052.3
Other tier-one capital	**0.8**	0.9
Net tier-one capital	**24,459.1**	23,053.2
Tier-two capital	**4,463.9**	4,188.0
Net capital base	**28,923.0**	27,241.2
Total risk-weighted assets	**219,585.9**	219,608.2
Core tier-one capital adequacy ratio (%)	**11.14**	10.50
Tier-one capital adequacy ratio (%)	**11.14**	10.50
Capital adequacy ratio (%)	**13.17**	12.40

As of December 31, 2023, the Group's capital adequacy ratio was 13.17%, up by 0.77 percentage point from the end of 2022; the tier-one capital adequacy ratio was 11.14%, up by 0.64 percentage point from the end of 2022; core tier-one capital adequacy ratio was 11.14%, up by 0.64 percentage point from the end of 2022. The above changes were mainly due to the fact that firstly the Group's retained earnings increased during the Reporting Period, resulting in the corresponding increase in the net capital; and secondly the Group optimized and adjusted the asset structure and decreased the overall risk weights, while the risk-weighted assets remained basically unchanged from the previous year when the total assets increased, thus leading to the increase in the capital adequacy ratio.

As of December 31, 2023, the Group's leverage ratio was 5.92%, representing a decrease of 0.10 percentage point from 6.02% as of December 31, 2022. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which was effective and applicable during the Reporting Period, leverage ratio shall be no less than 4%.

3.9 Risk Management

The primary risks related to the Bank's operations include credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk, strategic risk and ESG risk.

In 2023, the Bank firmly upheld the main keynote of "risk management by the Party", while strengthening its bottom-line thinking and risk awareness with an increasing focus on risk prevention while pursuing steady growth and high quality development. The Bank constantly improved the long-term mechanism of risk management and control, promoted refined management, strengthened system construction to facilitate and support the steady and rapid development of all businesses across the Bank, and resolutely safeguarded financial stability and financial security.

Credit risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity to fulfill its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to identify, measure, monitor, mitigate and control risks that arise from its credit business. In 2023, the Bank continued to optimize the credit structure, formulated credit policy guidelines, focused on key areas, such as demonstration zones for transformation and comprehensive reform, pilot projects for comprehensive reform of the energy revolution, the construction of development zones and townships of special industries, and strengthened financial support for the industrial chain and supply chain with advantages and characteristics in our province; the Bank also consolidated support for scientific and technological innovation, green development, inclusive small and micro and other areas of the real economy and weak links; optimized credit approval mechanism and promoted credit dispatch mechanism that is business frontend oriented, so as to further improve the quality and efficiency of credit approval; promoted the digital transformation of management after loan, carried out special campaigns to improve management after loan, thus to promote the improvement of such management efficiency; continued to intensify efforts to recover and dispose of non-performing assets and established a supervision mechanism for the disposal and resolution of risky assets to improve the cooperative ability for disposal.

The Bank is committed to using advanced information technology systems to improve our credit risk management, strengthening financial technology to empower the risk prevention and control, continually optimizing technology risk monitoring indicators, and continually improving the technology capability of risk prevention and control. The Bank introduced external big data such as business administration information and judicial litigation into the credit management system, developed the rules for intelligent risk management, intercepted high-risk customers, effectively improved the capability of risk identification and the efficiency of risk decision-making management.

The Bank is dedicated to striking a balance between achieving steady loan growth and maintaining a prudent culture of risk management. The Bank prepared detailed guidelines on credit risk management based on the provincial, national and international economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environment in the PRC and Shanxi Province and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also keeps track of the development of the national and local economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Management of large-scale risk exposure

The Bank strictly implemented regulatory requirements, formulated management rules for large-scale risk exposures, established an organizational structure and management system, perfected the function of the system, and regularly reported to regulators on large-scale risk exposure indicators and related management so as to effectively control customer concentration risks. As of the end of 2023, other than exempted customers, all limit indicators for the Bank's large-scale risk exposures were in compliance with the regulatory requirements.

Market risk

Market risk refers to the risk from adverse changes in market prices (interest rates, currency rates, stock price and commodity prices) that result in losses to the Bank's on – and off-balance sheet businesses. The Bank is exposed to market risks primarily from interest rate risk and currency rate risk.

During the Reporting Period, the Bank analyzed and studied the development trend of the financial market, formulated a market risk management system which is suitable for the Bank's business development, and confirmed the assignment of responsibilities of the Board, senior management, internal auditing and all departments in accordance with the supervision requirements strictly. In performing the system, each department made joint efforts and better finished the management work on market risk. In the present year, the Bank continued to improve its market risk limit system, monitored stop-loss limits for market risk, modified duration, account limits and other indicators by mark-to-market, and better completed daily monitoring of market risk by combining with contingency plans of market risk. Stress tests and reports for market risk were finished on a quarterly basis and regularly reported to senior management and the Board for review. In combination with the Bank's business development and risk preference, the Bank reasonably controlled the market risk under a bearable range.

As of December 31, 2023, the Bank was engaged in a small-scaled foreign exchange business and held an insignificant amount of US dollars and other foreign currencies. The Bank formulated multiple policies and operating standards for foreign currency businesses, such as foreign exchange capital businesses, and business of foreign exchange settlement and sale, to control foreign currency rate risk.

Liquidity risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where the Board bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk by monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis and provides risk alerts and reminders in a timely manner. The Bank also strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates crisis management plans, enhances daily liquidity risk management and regularly applies stress tests.

In 2023, the Bank closely monitored the changes in the market interest rates, strengthened the monitoring and management of the regular liquidity risks, and reasonably adjusted liquidity risk management strategy according to the external market environment by strengthening its fund position management during the day time and rationally adjusting the term structure of assets and liabilities, to ensure that the liquidity risk is controllable for safety purposes. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitoring of liquidity risks. The Bank improved the monitoring and analysis of large-amount funds through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had developed a reporting mechanism using a liquidity risk monitoring table to ensure that the Board and senior management can keep abreast of the Bank's liquidity status. 5. The Bank regularly conducted liquidity stress tests and timely predicted the potential liquidity risks based on the results of the stress tests to formulate relevant management measure.

Operational risk

Operational risk refers to the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, infractions of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board, the Board of Supervisors and senior management, and clarified the "three lines of defense" of the operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to improve its comprehensive risk management system, actively integrated various internal control and compliance management measures and continuously built up the risk prevention and control system covering all businesses, processes and individuals based on promoting the implementation of management tools such as process reviewing, operational risk self-assessment, monitoring of key indicators and loss event database.

Based on strengthening internal control and compliance management, the Bank refined its rules and regulations management mechanism by continuously internalizing external regulations, engaging in the process of "abolishing, amending and establishing" systems, providing feedback on deficiencies in the system, offering training and upskilling opportunities and conducting special system inspections. Furthermore, the Bank strictly enforced control measures such as staff position checks and balances, job rotation and mandatory leave, and monitoring of abnormal behaviors to actively prevent operational risk. Simultaneously, the Bank carried out business impact analysis and risk assessments, improved its business continuity plan and contingency plan, and conducted drills for dual-center core business system switching in the same city so as to promote a steady improvement in the management of the Bank's business continuity.

Information technology risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster tolerance and recovery drills for business continuity for important businesses.

Reputational risk

Reputational risk refers to the risk that arises from the behavior of the Bank or its employees or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, adversely affecting the operation and management of the Bank, and even affecting the market stability and social stability. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control and assess the reputational risk, and at the same time manages the reputational risk emergency handling, and minimizes any loss and negative impact on the Bank due to such incidents.

The Office of the Board of the Bank is responsible for undertaking management of overall reputational risks, including establishing a reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic risk

Strategic risk is the risk caused by inappropriate business strategies or changes in the external operating environment during strategy development and implementation, which may have a negative impact on the current or future profit, capital, reputation or market position of the Bank.

The Bank strengthens guidance to the strategic development plan, pushes ahead with the implementation of strategic plans for 2021-2025 steadily, continually focuses on the changes in the external environment, actively conducts the evaluation of strategy implementation, and always ensures the strategic planning is aligned with the external environment, so as to enhance the Bank's adaptability in the face of unexpected market changes. The Office of the Board is responsible for managing the Bank's strategic risks. The Bank identifies strategic risk factors through cooperation between the Office of the Board and the Risk Management Department; conducts regular reviews and studies on prevailing market conditions and the Bank's business operation status to timely identify potential risks, makes prompt adjustments to the strategies and relevant measures accordingly, and closely monitors the implementation of the strategies.

ESG risk

The Bank has effectively established an organizational structure for environmental and social risk management that links up and down. As the highest decision-making body on environmental and social risk management, the Board is responsible for formulating green finance development strategies and ensuring that an appropriate and effective risk management system is in place to address environmental and social related risks. At the same time, the Bank has set up a Development and Strategy Committee at the Board level to deliberate on environmental, social and governance (ESG) related proposals.

Senior management is responsible for setting environment-related targets, establishing green credit mechanisms and processes, conducting internal control inspections and evaluations, and regularly reporting to the Board on environment-related developments such as green credit. All departments of the Bank's head office and branches are responsible for the implementation of specific work related to the environment in accordance with the division of responsibilities. Among them, the Corporate Finance Department is the lead management department of green finance of the Bank, which is responsible for improving the construction of green finance system, collecting green finance data, organizing and carrying out green finance training, etc., the Risk Management Department, as the overall risk management department, is responsible for green finance-related risks, and other departments and branches are responsible for cooperating with relevant specific work.

3.10 Business Review

For the year ended December 31, 2023, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

For corporate banking business, the Group focuses on serving the governmental and institutional customers as well as high-quality customers in the business and industries, continuously improves the level of corporate customers management by measures such as intensifying the cooperation between governments and the Bank, enriching trade finance products, deepening reform of the corporate financial team and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loans, and wealth management services, accelerates the progress of wealth management and digital transformation, continually enhances customer service capability, and promotes value enhancement for customers, so as to achieve ongoing improvement for retail banking in terms of market competitiveness and brand influence; for financial markets business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business lines for the years ended December 31, 2022 and 2023.

	For the year ended December 31,			
	2023		2022	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate banking	**3,922.7**	**67.6**	3,823.6	72.7
Retail banking	**1,345.6**	**23.2**	1,313.9	25.0
Financial markets	**524.6**	**9.0**	106.0	2.0
Others[1]	**9.3**	**0.2**	16.7	0.3
Total operating income	**5,802.2**	**100.0**	5,260.2	100.0

Note:

(1) Consists primarily of income that is not directly attributable to any specific segment.

Corporate banking

Positioning itself as a "financial steward" for local governments in Shanxi Province and a "partner" of the real economy, the Bank practiced the concept of green development, gave its full support to the energy revolution and transformation and comprehensive reform in Shanxi Province, actively provided financing support for key projects in Shanxi Province and other cities, constantly provided corporate banking customers with diversified products and services, including deposits, loans, trade finance, cash management, remittance and settlement, bonds and bills service, etc.

For the year ended December 31, 2023, the Group's operating income from corporate banking was RMB3,922.7 million, representing a year-on-year increase of 2.6% and accounting for 67.6% of the total operating income for the same period. The increase in operating income from corporate banking was mainly because, firstly, the increase in corporate loans granted by the Group contributed to the growing corporate loan business; secondly, the Group made efforts to retain settlement deposits, and drove the increase in operating income from corporate banking by adjusting the maturity and structure.

As of December 31, 2023, the total corporate loans of the Group amounted to RMB120,284.4 million, representing an increase of 9.8% from December 31, 2022. As of December 31, 2023, total corporate deposits amounted to RMB127,666.6 million, representing an increase of 18.7% from December 31, 2022.

The Bank continued to improve its ability to meet corporate banking customers' needs for differentiated financial products and vigorously pushed ahead with the development of investment banking and financial services for supply chains. The Bank also placed a focus on the development of intelligent online products centering on the improvement of customer experiences, innovated green financing methods and broadened capital sources, so as to continuously optimize the business structure, enrich its product portfolio and enhance comprehensive service capacity.

Retail banking

Capitalizing on its extensive knowledge of the local market and the preferences of retail banking customers, the Group continually develops and promotes retail banking products and services that are well-received by the market and makes consistent efforts in wealth management, customer service, channel operation, product innovation, etc. The Group provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services, credit card services, funds, insurance services, treasury bonds and other agency services and remittance services, etc.

For the year ended December 31, 2023, the Group's operating income from retail banking was RMB1,345.6 million, representing a year-on-year increase of 2.4% and accounting for 23.2% of the total operating income for the same period. The increase in operating income from retail banking was mainly because of the continuous increase in income from retail banking driven by the Group's continuous expansion of the size of deposits and loans and improvement of wealth management services.

As of December 31, 2023, the total personal loan was RMB31,819.7 million, accounting for 16.6% of the gross loans and advances to customers. As of December 31, 2023, residential mortgage loans, personal consumption loans, personal business loans and credit card balances were RMB22,983.7 million, RMB2,938.7 million, RMB1,294.6 million and RMB4,602.7 million, respectively, accounting for 72.2%, 9.2%, 4.1% and 14.5% of the total personal loans of the Bank, respectively. As of December 31, 2023, the Group's total personal deposits amounted to RMB133,847.6 million, representing an increase of 11.5% from December 31, 2022.

Driven by quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 3,164.0 thousand as of December 31, 2022 to 3,313.0 thousand as of December 31, 2023. After years of persistent efforts, the Group has established an extensive business network in key cities in Shanxi Province. As of December 31, 2023, the Bank had outlets across 11 prefecture-level cities in Shanxi Province. The Bank currently has 153 outlets under its supervision and established a Small Enterprises Financial Service Center. The Bank invested in the establishment of Qingxu Jinshang Village and Township Bank Co., Ltd., and initiated the establishment of the first consumer finance company in Shanxi Province – Jinshang Consumer Finance Co., Ltd.

During the Reporting Period, with a business network that has extensive coverage, the Group was committed to providing customers with convenient online and mobile financial products and services with the use of advanced technologies. During the Reporting Period, the Group continued to enrich the types of services offered through online banking and introduced differentiated user experience for customers through technological upgrades. In addition, by integrating high-quality resources, the Group provided professional and comprehensive financial services to high net worth individuals in the province. The Private Banking Center won the "Excellence in Wealth Management of City Commercial Bank (卓越財富管理城市商業銀行)", "Excellence in Regional Services of Private Bank (卓越區域服務私人銀行)" in the 2023 Golden Honor Awards for its professional and outstanding services. One financial manager won the Bronze Award, seven financial managers won the Outstanding Individual Award, and two wealth management teams won the Outstanding Team Award in the 4th China Private Banking Elite Competition.

To build an image as a private bank for the Bank and to facilitate effective customer management for the private banking business, and with a focus on the service system of "promoting the future (升擢未來)", "promoting privileges (升享尊貴)", "promoting the wellbeing (升生之道)", and "promoting extraordinary experience (升鑑不凡)", the Private Banking Center actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, consolidates its presence in the family wealth planning service market, build a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region.

Financial market business

The financial market business of the Group primarily includes inter-bank money market transactions, repurchases transactions, debt securities investment and trading. It also covers the management of the Group's overall liquidity position.

During the Reporting Period, the Group closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies, continuously optimized the investment portfolio, reduced funds, adjusted the structure and actively carried out innovative business under the premise of risk control, while building a more competitive financial market business.

For the financial market business, the Group continued to focus on liquidity management, constantly promoted its businesses, maintained risk prevention and compliance management, continuously enhanced its market activity and influence, and made great efforts to improve its profitability. In order to continue to expand the scope of the Group's bond underwriting and distribution business and credit risk prevention and control capabilities, the Group obtained the core dealer qualification of credit risk mitigation instruments and the business qualification of underlying financial derivatives, which further strengthened the Group's capability of risk aversion and hedging.

For the year ended December 31, 2023, the operating income from the Group's financial market business increased by RMB418.6 million to RMB524.6 million from RMB106.0 million in the same period in 2022, accounting for 9.0% of total operating income. The increase was mainly because the Group optimized its structure of assets and liabilities, and adjusted the asset allocation of financial market business, resulting in an increase in net gains.

Interbank market transactions

The Group's interbank market transactions business primarily consists of (i) interbank deposits; (ii) interbank placements; and (iii) purchases under resale agreements and sale under repurchase agreements, which mainly involve bonds and bills.

As of December 31, 2023, deposits with banks and other financial institutions were RMB2,356.7 million, accounting for 0.7% of the Group's total assets as of December 31, 2023.

As of December 31, 2023, placements with banks and other financial institutions were RMB13,674.4 million, accounting for 3.8% of the Group's total assets as of December 31, 2023.

As of December 31, 2023, financial assets held under resale agreements were RMB41,514.9 million, accounting for 11.5% of the Group's total assets as of December 31, 2023. As of the same date, financial assets sold under repurchase agreements were RMB22,078.7 million, accounting for 6.6% of the Group's total liabilities as of December 31, 2023.

Investment management

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by the PRC government, policy banks, commercial banks and other financial institutions and enterprises. SPV investment refers to investments in trust plans, asset management plans and mutual funds. When making debt securities investment and SPV investment, the Group takes into account a broad range of factors, including but not limited to risk preferences, capital consumption level and expected yields of relevant products of the Group, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of December 31, 2023, the total debt securities investment was RMB71,561.6 million, representing an increase of 26.2% from December 31, 2022, primarily due to the fact that the Group optimized its structure of assets and liabilities and increased its investment quota in debt securities issued by the PRC government.

As of December 31, 2023, the total SPV investment was RMB10,148.9 million, representing a decrease of 69.6% from December 31, 2022, mainly because the Group optimized its structure of assets and liabilities and reduced the investment scale of the funds.

Wealth management

During the Reporting Period, the Group actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively responded to the challenges of traditional banking services amid interest rate liberalisation. For the year ended December 31, 2023, the amount of wealth management products issued by the Group was RMB67,241.0 million, representing a decrease of 46.4% from the year ended December 31, 2022, mainly due to the fact that the Group actively implemented regulatory requirements, and carried out the corresponding transformation of short-term wealth management products such as cash management category products, resulting in a reduction in the frequency of customer subscription and redemption. At the same time, affected by the adjustment of the debt market at the end of 2022, some customers' confidence in the market has been recovered slowly, resulting in a periodic reduction in the issuance of wealth management products. As of December 31, 2023, the Group had more than 440,000 wealth management customers, showing a further increase from the end of 2022.

As of December 31, 2023, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB48,907.1 million, representing an increase of 1.4% from December 31, 2022, mainly because of the greater demand for short-term liquidity arrangements from the Group's customers at the end of 2023 and the higher demand for short-term open-ended products, resulting in a slight increase in the overall scale at the end of the year. For the year ended December 31, 2023, the fee and commission income from the wealth management products issued by the Group was RMB204.4 million, representing a decrease of 0.3% from the year ended December 31, 2022, mainly because of the decrease in the average daily scale of existing wealth management products in 2023 compared with the previous year, resulting in a slight year-on-year decrease in net fee and commission income.

Debt securities distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, among which the Class-B qualification allows the Bank to act as a lead underwriter in the regional market. For the year ended December 31, 2023, the aggregate principal amount of debt securities the Bank distributed amounted to RMB37,275.0 million, representing an increase of 31.4% from the year ended December 31, 2022, mainly because the Bank has vigorously developed the credit market, and actively expanded new investors and distribution channels.

Small and micro enterprise

During the Reporting Period, the Bank has actively implemented the decisions of the Party Central Committee and the State Council on financial support for small and micro enterprises, maintained its strategic determination, adhered to its market positioning, strengthened its inclusive financial services, and overcame various pressures including increasing external market competition and the impact of the pandemic that has not yet been completely eliminated, reasonably reduced the financing cost of inclusive loans to small and micro enterprises to effectively promote the high-quality development of the Bank's financial services for small and micro enterprises.

As of December 31, 2023, the Bank's head office has set up an Inclusive Finance Department (Small Enterprises Financial Department/Small Enterprises Financial Service Center), four directly controlled branches in Taiyuan and ten non-local branches have also set up Inclusive Finance Department (Small Enterprises Financial Department).

As of December 31, 2023, the balance of inclusive loans to small and micro enterprises of the Bank (operation data of discounted bills and re-discounts have been excluded according to the regulatory assessment of "two growth" in 2023) amounted to RMB9,831.8 million, representing an increase of RMB2,298.5 million from December 31, 2022; the number of small and micro enterprise customers for inclusive loans was 3,701, representing an increase of 421 from December 31, 2022, achieving the target of "two growth". The NPL ratio of inclusive loans to small and micro enterprises was 3.81%, representing a decrease of 1.37 percentage points from December 31, 2022, and the annualized interest rate of accumulative was 4.17%, representing a decrease of 0.64 percentage point from December 31, 2022, in line with the monitoring requirements of the "two controls".

Digital transformation

During the Reporting Period, with the transformation goal of "giving full play to the value of data, empowering operation and management, and achieving sustainable and high-quality development", the Bank focused on improving customer experience, building in-depth capabilities of customer management, continuous financial innovation capabilities, and agile organizational transformation capabilities, so as to provide solid support for the development of various businesses of the Bank.

During the Reporting Period, the Bank promoted the acceleration and quality improvement of digital transformation, included it in the assessment scope as a key content, established the "four mechanisms" of special fund investment, process management promotion, project implementation and post-project evaluation, created a new version of mobile banking and remote video banking, realized the management of the whole life cycle of data collection, storage, application and destruction through the construction of a data asset management platform, and realized the digitalization of the whole process from clue insight, client portrait, business strategy to customer service through the construction of three major business line labeling systems. With the successive implementation of digital transformation projects, the Bank has gradually formed new quality productivity that promoted the development of the Bank.

During the Reporting Period, the Group continued to strengthen data governance to strengthen the foundation of financial services. On the one hand, data governance is carried out in a refined manner. The Group formulated a data quality improvement plan, organized and carried out on-site inspections of data quality, and organized and carried out special rectification work on data quality within the Bank for the first time, and achieved good results. On the other hand, we systematically build basic data capabilities, continue to improve the construction of data warehouses, and continue to strengthen external data management and application.

During the Reporting Period, in order to adapt to the institutional digital transformation and reform of the main business lines in the Bank, build an agile organization that is compatible with digital transformation, and improve the efficiency of integration and innovation, the Bank further optimized and improved the organizational form, team management and responsibilities, member composition and responsibilities, team formation process, agile project budget approval process, assessment and other processes of agile teams. In addition, the Bank deployed technology specialists and technical managers to retail, corporate and inclusive business lines respectively, who were responsible for the daily management of the team and the overall management of the project construction of the line. At the same time, as a bridge for the integration and communication of business and technology, the Bank adopted a steady, progressive, and iterative implementation approach to promote the rapid transformation of agile requirements, which has greatly improved the ability to rapidly respond to market and innovative product and service capabilities.

At the same time, the Bank focuses on the cultivation of digital talents, and continuously improves its ability to integrate businesses and digitalization by participating in diversified training and practical training projects, to create a digital cultural atmosphere conducive to the integration of business, data and technology in the same direction with effect.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of subsidiaries, associates, joint ventures and assets, or business mergers.

Substantial Investments

The Bank had no substantial investments in 2023.

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank continued to improve the transparency and accountability of corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the shareholders' general meeting, the Board, the Board of Supervisors and the senior management. The shareholders' general meeting is the highest organ of authority of our Bank. The Board is accountable to the shareholders' general meeting. The Board has established six special committees, which operate under the leadership of the Board and advise on board decisions. The Board of Supervisors is responsible for supervising the performance of the Board and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board, the senior management is responsible for implementing the resolutions of the Board and for the daily operation and management of the Bank and reports to the Board and the Board of Supervisors on a regular basis. The president of the Bank is appointed by the Board and is responsible for the overall operations and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix C1 to the Hong Kong Listing Rules to meet the requirements of the administrative measures and corporate governance for domestic commercial banks, and has established a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Appendix C1 to the Hong Kong Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its shareholders and potential investors.

5.2 Directors, Supervisors and Senior Management of the Bank

As at the date of this announcement, the composition of the Bank's Board, the Board of Supervisors and senior management is as follows:

The Bank's Board consists of twelve Directors, including two executive Directors, namely, Ms. HAO Qiang (chairwoman of the Board) and Mr. ZHANG Yunfei (vice chairman); five non-executive Directors, namely, Mr. LI Shishan, Mr. MA Hongchao (vice chairman), Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and five independent non-executive Directors, namely, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny.

The Bank's Board of Supervisors consists of nine supervisors, including three employee supervisors, namely, Mr. XIE Liying (chairman of the Board of Supervisors), Mr. WEN Qingquan and Mr. SU Hua; three shareholders supervisors, namely, Mr. WANG Weiping, Ms. XU Jin and Mr. PANG Zhengyu; and three external supervisors, namely, Mr. ZHUO Zeyuan, Mr. WU Jun and Mr. BAI Guangwei.

The Bank's senior management consists of five members, namely, Mr. ZHANG Yunfei, Mr. ZHAO Jiquan, Mr. LI Yanbin, Mr. WANG Yibin and Mr. SHANGGUAN Yujiang.

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period and up to the Date of this Announcement

Changes in Directors

On June 25, 2023, Mr. MA Hongchao's qualification as Director and vice chairman was approved by the former CBIRC Shanxi Office. Each of Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny's qualification as Director has been approved by the former CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTORS AND VICE CHAIRMAN BY THE REGULATORY AUTHORITY" issued by the Bank on June 29, 2023.

Upon the commencement of duties by Mr. MA Hongchao, Mr. XIANG Lijun has ceased to perform the obligations of a non-executive Director and a member of the Nomination, Remuneration and HR Committee. Upon the commencement of duties by Ms. HU Zhihong, Mr. JIN Haiteng has ceased to perform the obligations of an independent non-executive Director and a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu has ceased to perform the obligations of an independent non-executive Director and the chairperson of the Consumer Rights Protection Committee. Upon the commencement of duties by Mr. CHAN Ngai Sang Kenny, Mr. YE Xiang has ceased to perform the obligations of an independent non-executive Director and a member of the Audit Committee.

Changes in Senior Management

On August 29, 2023, Mr. LI Weiqiang resigned as the secretary of the Board and the joint company secretary due to his work arrangements. Mr. LI Weiqiang's resignation as the joint company secretary of the Bank takes effect on August 29, 2023.

On August 29, 2023, Mr. LI Yanbin has been appointed as the secretary of the Board and the joint company secretary by the Board. For details, please refer to the announcement entitled "CHANGE OF SECRETARY OF THE BOARD AND JOINT COMPANY SECRETARY" issued by the Bank on August 29, 2023. The appointment of Mr. LI Yanbin as the joint company secretary takes effect from August 29, 2023. On October 26, 2023, Mr. LI Yanbin's qualification as the secretary of the Board was approved by the Shanxi Supervision Bureau of National Financial Regulatory Administration, and the appointment of Mr. LI Yanbin as the secretary of the Board takes effect from October 26, 2023.

On August 29, 2023, Ms. LI Wenli resigned as the chief audit officer of the Bank due to her work arrangements, with effect from August 29, 2023.

On December 31, 2023, Mr. WEN Gensheng resigned as the chief human resources officer of the Bank due to his work arrangements, with effect from December 31, 2023.

During the Reporting Period and up to the date of this announcement, there were no changes in the supervisors of the Bank.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

The Bank has adopted 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 as its code of conduct for regulating securities transactions by directors, supervisors and relevant employees of the Bank. Having made enquiry with all Directors and supervisors, all of the Directors and supervisors confirmed that they have been in compliance with the above Model Code throughout the Reporting Period. The Bank is not aware of any violations of the Model Code by the employees concerned.

5.5 Profits and Dividends

The Group's revenue for the year ended December 31, 2023 and the Bank's financial position as of the same date are set out in the section headed "Annual Financial Statements" in this annual results announcement.

On March 28, 2023, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB10.0 (tax inclusive) per 100 shares, totaling RMB583.9 million for the year ended December 31, 2022 to all existing shareholders on record as at June 21, 2023. The declaration and distribution of these dividends were approved at the shareholders' general meeting on June 9, 2023. The Bank distributed these dividends for the year ended December 31, 2022 with its internal funds on July 28, 2023.

The Board has proposed to distribute final cash dividends for the year ended December 31, 2023 at RMB10 (tax inclusive) per 100 shares, totaling approximately RMB583.9 million. The final dividend is subject to the approval of shareholders of the Bank at the Bank's annual general meeting of 2023. If approved, the final dividend for the year ended December 31, 2023 will be denominated and declared in RMB. Dividends will be distributed to holders of domestic shares of the Bank in Renminbi and to holders of H shares in equivalent Hong Kong dollars. For this conversion, the Renminbi will be converted to Hong Kong dollars at the average of the central parity rates as published by the People's Bank of China five working days preceding June 20, 2024 (inclusive) (the date of the Bank's annual general meeting of 2023). If approved at the Bank's annual general meeting of 2023, it is expected that the final dividend will be paid on August 9, 2024.

The Bank's register of members of H shares will be closed from Wednesday, June 26, 2024 to Tuesday, July 2, 2024 (both days inclusive). Shareholders of the Bank whose names appear on the Bank's register of members of H shares and the register of members of domestic shares on Tuesday, July 2, 2024 will be entitled to receive the final dividend. In order to be qualified to receive the final dividend, all transfer documents together with the relevant share certificates shall be delivered to the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the Bank's H shares), or the Office of the Board, at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the holders of the Bank's domestic shares), for registration no later than 4:30 p.m. on Tuesday, June 25, 2024.

5.6 Purchase, Sale and Redemption of the Bank's Listed Securities

During the period from January 1, 2023 to the date of this annual results announcement, the Bank or its subsidiary did not purchase, sell or redeem any of the Bank's listed securities.

5.7 Audit of Annual Results and Review of Annual Results by Audit Committee

The financial statements for the year ended December 31, 2023, prepared in accordance with IFRSs issued by the IASB, have been audited by Ernst & Young in accordance with International Standards on Auditing.

The annual results of the Bank have been reviewed and approved by the Board and its Audit Committee.

5.8 Use of Proceeds

The proceeds from issuing H shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the former CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00% and matured on April 17, 2023. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term assets business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the People's Bank of China and the former CBIRC Shanxi Office, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021 and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of 5+5 years at a fixed interest rate and a coupon interest rate of 4.78%, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

The Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Training Programs, Remuneration Policies, Equity Incentive Plan

As of December 31, 2023, the total number of employees of the Group reached 4,429, including 2,392 female employees and 2,037 male employees, of which 20.7% were employees aged 30 and below, and 88.6% were employees with a bachelor's degree or above. Excellent age distribution and a professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes sensitively and seize market opportunities. As of December 31, 2023, 421 employees in the retail line were qualified for AFP certification; 47 employees had CFP certificates.

The Bank earnestly implemented the national vocational skills improvement action plan. It formulated a granular annual training plan and carried out various forms of training based on domestic and foreign financial hotspots and trends and its own management and development strategies adhering to the training concept of "party building leading, close to business operations, high practicality and efficiency, and service operation" and the work philosophy of "systematic design, project promotion, practical assessment, and market-oriented operation". The annual training work was aimed at providing a strong talent pipeline with knowledge for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated training resources at three levels of headquarters, branches and sub-branches. Leveraging internal and external training both online and offline, it carried out all-round and multi-dimensional training work for the Bank's employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits programs including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, corporate annuity and supplementary medical insurance. The Bank has a labor union established in accordance with the PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

During the Reporting Period, the Bank has not implemented any equity incentive plan.

6. ANNUAL FINANCIAL STATEMENTS

Audit Opinions

The 2023 financial statements of the Bank prepared in accordance with IFRSs have been audited by Ernst & Young. Ernst & Young has expressed unqualified opinions in the auditor's report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**2023**	2022
Interest income		**11,614,868**	10,728,849
Interest expense		**(7,378,650)**	(7,135,847)
Net interest income	*3*	**4,236,218**	3,593,002
Fee and commission income		**860,938**	937,227
Fee and commission expense		**(158,083)**	(203,234)
Net fee and commission income	*4*	**702,855**	733,993
Net trading gains	*5*	**(78,508)**	(32,497)
Net gains arising from investment securities	*6*	**887,030**	917,579
Other operating income	*7*	**54,593**	48,097
Operating income		**5,802,188**	5,260,174
Operating expenses	*8*	**(2,348,411)**	(2,186,703)
Impairment losses on credit	*11*	**(1,432,030)**	(1,237,932)
Share of profit of an associate		**12,143**	20,784
Profit before tax		**2,033,890**	1,856,323
Income tax expense	*12*	**(33,339)**	(20,952)
Net profit		**2,000,551**	1,835,371
Net profit attributable to:			
Equity holders of the Bank		**2,002,911**	1,838,397
Non-controlling interests		**(2,360)**	(3,026)
Net profit		**2,000,551**	1,835,371

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

	Note	**2023**	2022
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	*31(d)*	**55,289**	(67,289)
– net movement in the impairment reserve, net of tax	*31(e)*	**(11,532)**	11,546
Items that will not be reclassified to profit or loss:			
Remeasurement of a net defined benefit liability, net of tax	*31(f)*	**(1,275)**	300
Other comprehensive income, net of tax		**42,482**	(55,443)
Total comprehensive income		**2,043,033**	1,779,928
Total comprehensive income attributable to:			
Equity holders of the Bank		**2,045,393**	1,782,954
Non-controlling interests		**(2,360)**	(3,026)
Total comprehensive income		**2,043,033**	1,779,928
Basic and diluted earnings per share (in RMB)	*13*	**0.34**	0.31

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**As at 31 December 2023**	As at 31 December 2022
ASSETS			
Cash and deposits with the central bank	*14*	**22,260,537**	16,956,777
Deposits with banks and other financial institutions	*15*	**2,356,658**	1,797,386
Placements with banks and other financial institutions	*16*	**13,674,444**	1,581,798
Financial assets held under resale agreements	*17*	**41,514,880**	28,141,001
Loans and advances to customers	*18*	**185,609,747**	180,905,803
Financial investments:	*19*		
Financial investments at fair value through profit or loss		**11,731,796**	35,522,181
Financial investments at fair value through other comprehensive income		**4,807,100**	4,135,400
Financial investments at amortised cost		**74,276,507**	62,596,056
Interest in an associate	*20*	**343,551**	331,408
Property and equipment	*22*	**1,306,408**	1,319,833
Deferred tax assets	*23*	**2,079,326**	1,775,409
Other assets	*24*	**1,344,077**	1,356,462
Total assets		**361,305,031**	336,419,514
LIABILITIES			
Borrowings from the central bank		**1,726,222**	2,873,767
Deposits from banks and other financial institutions	*25*	**46,916**	120,070
Financial assets sold under repurchase agreements	*26*	**22,078,689**	20,215,517
Deposits from customers	*27*	**288,250,365**	253,770,861
Income tax payable		**322,371**	151,952
Debt securities issued	*28*	**21,825,891**	33,534,258
Other liabilities	*29*	**2,241,771**	2,399,451
Total liabilities		**336,492,225**	313,065,876

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

	Note	**As at 31 December 2023**	As at 31 December 2022
EQUITY			
Share capital	*30*	**5,838,650**	5,838,650
Capital reserve	*31(a)*	**6,627,602**	6,627,602
Surplus reserve	*31(b)*	**4,361,372**	3,976,682
General reserve	*31(c)*	**4,228,153**	3,742,188
Fair value reserve	*31(d)*	**(42,580)**	(97,869)
Impairment reserve	*31(e)*	**3,462**	14,994
Deficit on remeasurement of net defined benefit liability	*31(f)*	**(5,340)**	(4,065)
Retained earnings	*32*	**3,785,300**	3,236,909
Total equity attributable to equity holders of the Bank		**24,796,619**	23,335,091
Non-controlling interests		**16,187**	18,547
Total equity		**24,812,806**	23,353,638
Total liabilities and equity		**361,305,031**	336,419,514

Approved and authorised for issue by the Board of Directors on 28 March 2024.

Hao Qiang	**Zhang Yunfei**	**Zhao Jiquan**	
Chairwoman of the Board	*Executive Director*	*Officer in charge of Finance*	(Company chop)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2023		5,838,650	6,627,602	3,976,682	3,742,188	(97,869)	14,994	(4,065)	3,236,909	23,335,091	18,547	23,353,638
Changes in equity for the year:												
Net profit for the year		-	-	-	-	-	-	-	2,002,911	2,002,911	(2,360)	2,000,551
Other comprehensive income		-	-	-	-	55,289	(11,532)	(1,275)	-	42,482	-	42,482
Total comprehensive income		-	-	-	-	55,289	(11,532)	(1,275)	2,002,911	2,045,393	(2,360)	2,043,033
Appropriation of profit												
– Appropriation to surplus reserve	*31(b)*	-	-	384,690	-	-	-	-	(384,690)	-	-	-
– Appropriation to general reserve	*31(c)*	-	-	-	485,965	-	-	-	(485,965)	-	-	-
– Dividends paid to shareholders	*32*	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 31 December 2023		5,838,650	6,627,602	4,361,372	4,228,153	(42,580)	3,462	(5,340)	3,785,300	24,796,619	16,187	24,812,806

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

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2022		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575
Changes in equity for the year:												
Net profit for the year		–	–	–	–	–	–	–	1,838,397	1,838,397	(3,026)	1,835,371
Other comprehensive income		–	–	–	–	(67,289)	11,546	300	–	(55,443)	–	(55,443)
Total comprehensive income		–	–	–	–	(67,289)	11,546	300	1,838,397	1,782,954	(3,026)	1,779,928
Appropriation of profit												
– Appropriation to surplus reserve	*31(b)*	–	–	184,157	–	–	–	–	(184,157)	–	–	–
– Appropriation to general reserve	*31(c)*	–	–	–	581,057	–	–	–	(581,057)	–	–	–
– Dividends paid to shareholders	*32*	–	–	–	–	–	–	–	(583,865)	(583,865)	–	(583,865)
As at 31 December 2022		5,838,650	6,627,602	3,976,682	3,742,188	(97,869)	14,994	(4,065)	3,236,909	23,335,091	18,547	23,353,638

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit before tax	**2,033,890**	1,856,323
Adjustments for:		
Impairment losses on credit	**1,432,030**	1,237,932
Depreciation and amortisation	**320,183**	324,338
Accreted interest on credit-impaired loans	**(81,658)**	(105,202)
Unrealised foreign exchange losses	**1,742**	2,776
Gains on disposal of property and equipment and other assets	**(1,260)**	(1,962)
Net trading gains	**76,766**	29,721
Net gains arising from investment securities	**(887,030)**	(917,579)
Share of profit of an associate	**(12,143)**	(20,784)
Interest expense on debts securities issued	**579,603**	1,072,527
Interest expense on lease liabilities	**11,149**	13,013
	3,473,272	3,491,103
Changes in operating assets		
Net increase in deposits with the central bank	**(1,029,052)**	(1,182,620)
Net decrease/(increase) in deposits with banks and other financial institutions	**72,201**	(85,603)
Net increase in placements with banks and other financial institutions	**(9,942,000)**	(1,558,000)
Net increase in financial assets held under resale agreements	**(13,377,116)**	(1,792,196)
Net increase in loans and advances to customers	**(5,341,941)**	(30,585,802)
Net increase in other operating assets	**(912,445)**	(1,039,744)
	(30,530,353)	(36,243,965)
Changes in operating liabilities		
Net (decrease)/increase in borrowings from the central bank	**(1,146,816)**	74,228
Net decrease in deposits from banks and other financial institutions	**(73,074)**	(1,166,411)
Net decrease in placements from banks and other financial institutions	**–**	(210,000)
Net increase in financial assets sold under repurchase agreements	**1,862,579**	4,858,902
Net increase in deposits from customers	**32,648,100**	53,167,898
Income tax paid	**(180,997)**	(57,161)
Net increase in other operating liabilities	**2,207,729**	1,068,358
	35,317,521	57,735,814
Net cash flows from operating activities	**8,260,440**	24,982,952

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

	Note	2023	2022
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**88,180,511**	83,640,502
Gains received from investment activities		**980,222**	1,006,002
Proceeds from disposal of property and equipment and other assets		**1,057**	423
Payments on acquisition of investments		**(77,227,575)**	(93,423,158)
Payments on acquisition of property and equipment, intangible assets and other assets		**(260,179)**	(154,431)
Net cash flows from/(used in) investing activities		**11,674,036**	(8,930,662)
Cash flows from financing activities			
Proceeds from debt securities issued	*33(c)*	**45,536,783**	57,847,069
Repayment of debt securities issued	*33(c)*	**(57,160,000)**	(83,280,000)
Interest paid on debt securities issued	*33(c)*	**(664,753)**	(1,072,527)
Dividends paid		**(614,577)**	(577,315)
Repayment of lease liabilities	*33(c)*	**(114,168)**	(124,671)
Interest paid on lease liabilities	*33(c)*	**(11,149)**	(13,013)
Net cash flows used in financing activities		**(13,027,864)**	(27,220,457)
Effect of exchange rate changes on cash and cash equivalents		**658**	3,055
Net increase/(decrease) in cash and cash equivalents	*33(a)*	**6,907,270**	(11,165,112)
Cash and cash equivalents as at 1 January		**5,150,304**	16,315,416
Cash and cash equivalents as at 31 December	*33(b)*	**12,057,574**	5,150,304
Interest received		**11,147,119**	10,501,272
Interest paid (excluding interest expense on debt securities issued)		**4,967,859**	4,667,185

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

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

1. BACKGROUND INFORMATION

Jinshang Bank Co., Ltd. (the "Bank") (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the *Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.*《關於太原市商業銀行開業的批覆》(YinFu〔1998〕No. 323) issued by the People's Bank of China (the "PBOC"). According to the *Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.*《關於太原市商業銀行更名的批覆》(YinJianFu〔2008〕No. 569) issued by the former China Banking Regulatory Commission (the former "CBRC"), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business licence (credibility code: 911400007011347302). As at 31 December 2023, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the National Financial Regulatory Administration (the "NFRA") which was authorised by the State Council.

In July 2019, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the NFRA.

2. SUMMARY OF ACCOUNTING POLICIES

(1) Basis of preparation and presentation

These 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"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(a) Changes in accounting policies

Except as described below, the accounting policies applied in the preparation of the audited annual financial statements are the same as those applied in the last annual financial statements.

On 1 January 2023, the Group adopted the following amendments.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The accounting policy changes above are unlikely to have significant impacts on the Group's results of operations, financial position and comprehensive income.

(b) Possible impact of new and revised standards issued but not yet effective and have not been early adopted for the year ended 31 December 2023

The new and revised standards but not yet effective for the year ended 31 December 2023 are set out below:

		Effective for accounting periods beginning on or after
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1 (2020)	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1 (2022)	*Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21	*Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

The Group has assessed the impact of these new and revised standards. So far it has concluded that the adoptions of them are unlikely to have significant impacts on the Group's results of operations and financial position.

(2) Basis of preparation and presentation – Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group. All values presented in RMB have been rounded to the nearest thousands, except when otherwise indicated.

(3) Basis of preparation and presentation – Basis of measurement

Financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with relevant policy.

(4) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(26).

(5) Subsidiary and non-controlling interests

Subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(16)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post – tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless these investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period, the resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the date of recognition. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, deposits and placements with banks and other financial institutions with an original maturity of less than three months.

(9) Financial instruments

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(b) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

– Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and

– Financial assets measured at fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income when the relevant investment meets the definition of an equity investment from the issuer's perspective. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. 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.

Subsequent measurement

— Financial assets measured at amortised cost

  Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

— Debt instruments measured at fair value through other comprehensive income (FVOCI)

  Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

— Equity investments designated at fair value through other comprehensive income

Such financial assets that the Group holds are subsequently measured at fair value. The dividend income shall be recognised through profit and loss, and a gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

— Financial assets measured at fair value through profit or loss (FVPL)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or financial guarantee liabilities.

— Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

— Financial guarantee liabilities

Financial guarantees are contracts that require the Group 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 modified terms of a debt instrument.

The financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(19)(a)) and the amount initially recognised less the cumulative amount of income.

(d) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

— financial assets measured at amortised cost; and

— debt instruments measured at FVOCI.

Financial assets measured at fair value, including debt instruments or equity investments at FVPL, and equity investments designated at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses are the differences between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the end of the reporting period(or a shorter period if the expected life of the instrument is less than 12 months).

Measurement methods of ECLs used by the Group in the above areas are set out in Note 37(a).

Presentation of ECLs

ECL is remeasured at each end of the reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(e) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instruments with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(f) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– 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.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred measured at the date of derecognition;

– the sum of the consideration received from the transfer and, when the transferred financial asset is a debt instrument at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in profit or loss.

(h) Offsetting

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts; and

- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(11) Investment in a subsidiary

In the Group's consolidated financial statements, investment in a subsidiary is accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investment in a subsidiary is accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(16)) in the statement of financial position. Except for declared but not yet distributed cash dividends or profit distributions that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distributions declared by the investees as investment income.

(12) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (see Note 2(16)). Construction in progress is stated in the statement of financial position at cost less impairment loss (see Note 2(16)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives, after considering their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	**Estimated useful life**	**Estimated rate of residual value**	**Depreciation rate**
Premises	10 – 20 years	3%	4.85% – 9.70%
Motor vehicles	4 years	3%	24.25%
Electronic equipment	3 – 10 years	3%	9.70% – 32.33%
Office equipment	3 – 20 years	3%	4.85% – 32.33%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end by the Group.

(13) Leases

At inception of a contract, the Group assesses whether a 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, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

– its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

(14) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 2(16)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software and system development	2 – 10 years

(15) Repossessed assets

Repossessed assets refer to the real assets or property rights paid by the debtor, guarantor or third party when the Group exercises the creditor's right or real right of guarantee in accordance with the law. Repossessed assets are initially recognised at fair value of assets not retained plus tax and related costs when they are obtained as the compensation for the loans' principal and interest. Subsequent measurement shall be made according to the lower amount of book value and fair value minus disposal expense. Repossessed assets do not depreciate or amortise.

(16) Allowances for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment in a subsidiary

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about keeping or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing to use the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(17) Employee benefits

(a) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Such schemes are arranged or regulated by PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

The defined contribution retirement plans of the Group include social pension schemes and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contribution schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurance schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to paying to the employees after their retirement. The calculation is performed by the qualified and independent actuaries, Willis Towers Watson Consulting Co., Ltd. (Fellow of Society of Actuaries) using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(18) Deferred tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

In terms of off-balance sheet credit commitments, the Group applies the expected credit loss model to measure the losses caused by particular debtors incapable of paying due debts, which are present in provisions. See Note 2(9)(d) for the description of the expected credit loss model.

(b) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(20) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(21) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group’s ordinary activities when the inflows result in an increase in shareholders’ equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group’s principal activities:

(a) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the economic benefits provided by the Group's performance as the Group performs;

- The customer controls the service provided by the Group in the course of performance or;

- The Group does not provide service with an alternative use, and the Group has an enforceable right to payment for performance completed to date.

In other cases, the Group recognises revenue at the point in time when a customer obtains control of the promised services.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(22) Expenses recognition

(a) Interest expense

Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate, recognised within the corresponding period.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(24) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(25) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(26) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(a) Measurement of expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Forward-looking information of the ECL model.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 37(a) credit risk.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Deferred taxes

Determining deferred tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(5) indicate that the Group controls a non-principal guaranteed wealth management products, investment funds, etc.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, etc. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products, investment funds, etc, in which the Group has an interest or for which it is a sponsor, see Note 41.

(27) Taxation

The principal income and other taxes to which the Group is subject are listed below:

Taxes	**Statutory rates**	**Tax basis**
Corporate income tax	25%	Taxable income
Value-added tax	6%	Taxable added value
City construction and maintenance tax	7% or 5%	Turnover tax paid
Education surcharges	3%	Turnover tax paid

3. NET INTEREST INCOME

	2023	2022
Interest income arising from		
Deposits with the central bank	**225,522**	210,841
Deposits with banks and other financial institutions	**39,651**	44,697
Placements with banks and other financial institutions	**287,239**	102,697
Financial assets held under resale agreements	**499,842**	377,996
Loans and advances to customers		
– Corporate loans and advances	**6,026,424**	5,631,535
– Personal loans	**1,256,814**	1,261,991
– Discounted bills	**862,758**	1,026,156
Financial investments	**2,416,618**	2,072,936
Subtotal	**11,614,868**	10,728,849
Interest expense arising from		
Borrowings from the central bank	**(43,476)**	(61,577)
Deposits from banks and other financial institutions	**(1,208)**	(15,492)
Placements from banks and other financial institutions	**(13,808)**	(5,117)
Financial assets sold under repurchase agreements	**(376,018)**	(294,048)
Deposits from customers	**(6,364,537)**	(5,687,086)
Debt securities issued	**(579,603)**	(1,072,527)
Subtotal	**(7,378,650)**	(7,135,847)
Net interest income	**4,236,218**	3,593,002

Interest income arising from loans and advances to customers included RMB82 million for the year ended 31 December 2023 with respect to the accreted interest on credit-impaired loans (for the year ended 31 December 2022: RMB105 million).

4. NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2023	2022
Fee and commission income		
Settlement and clearing fees	**219,225**	235,384
Wealth management business fees	**204,395**	205,049
Acceptance and guarantee service fees	**175,997**	208,038
Bank card service fees	**148,694**	148,991
Agency service fees and others	**112,627**	139,765
Subtotal	**860,938**	937,227
Fee and commission expense		
Bank card service fees	**(71,208)**	(67,806)
Settlement and clearing fees	**(44,464)**	(43,680)
Agency service fees and others	**(42,411)**	(91,748)
Subtotal	**(158,083)**	(203,234)
Net fee and commission income	**702,855**	733,993

(b) Disaggregation of income:

	2023		2022	
	At a point in time	**Over time**	At a point in time	Over time
Settlement and clearing fees	**219,225**	**–**	235,384	–
Wealth management business fees	**–**	**204,395**	–	205,049
Acceptance and guarantee service fees	**–**	**175,997**	–	208,038
Bank card service fees	**123,127**	**25,567**	134,729	14,262
Agency service fees and others	**112,251**	**376**	139,259	506
Total	**454,603**	**406,335**	509,372	427,855

5. NET TRADING GAINS

	2023	2022
Net gains/(losses) from debt securities	**24,716**	(78,808)
Net gains/(losses) from interbank deposits issued	**288**	(441)
Net losses from derivative financial instruments	**–**	(331)
Exchange losses	**(1,742)**	(2,776)
Net (losses)/gains from funds	**(19,421)**	47,986
Net losses from equity investments	**(23,306)**	(25,762)
Net (losses)/gains from investment management products	**(59,043)**	27,635
Total	**(78,508)**	(32,497)

6. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2023	2022
Net gains on financial investments measured at fair value through profit or loss	**679,257**	870,030
Net gains on financial investments measured at fair value through other comprehensive income	**67,504**	30,455
Net gains on derecognition of financial investments measured at amortised cost	**140,269**	17,094
Total	**887,030**	917,579

7. OTHER OPERATING INCOME

	2023	2022
Government grants	**48,404**	38,228
Net gains on disposal of property and equipment and other assets	**1,275**	1,969
Penalty income	**1,212**	875
Income from long-term unwithdrawn items	**379**	1,117
Rental income	**162**	98
Others	**3,161**	5,810
Total	**54,593**	48,097

8. OPERATING EXPENSES

	2023	2022
Staff costs		
– Salaries, bonuses and allowances	**1,011,464**	964,801
– Social insurance and annuity	**257,485**	212,569
– Housing allowances	**81,114**	70,296
– Staff welfares	**55,687**	53,948
– Employee education expenses and labour union expenses	**18,981**	21,588
– Supplementary retirement benefits	**970**	(1,020)
– Others	**6,649**	4,578
Subtotal	**1,432,350**	1,326,760
Depreciation and amortisation	**320,183**	324,338
Taxes and surcharges	**88,996**	86,198
Rental and property management expenses	**42,559**	43,023
Other general and administrative expenses	**464,323**	406,384
Total	**2,348,411**	2,186,703

Auditor's remunerations were RMB3.98 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB3.98 million).

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax of the directors and supervisors who held office during the year are as follows:

	Year ended 31 December 2023						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Hao Qiang	–	350	679	1,029	37	125	1,191
Zhang Yunfei	–	327	1,000	1,327	37	128	1,492
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Ma Hongchao	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Sai Zhiyi	–	–	–	–	–	–	–
Hu Zhihong	100	–	–	100	–	–	100
Chan Ngai Sang Kenny	100	–	–	100	–	–	100
Employees' representative supervisors							
Xie Liying	–	325	644	969	37	185	1,191
Wen Qingquan	–	219	551	770	37	172	979
Su Hua	–	189	235	424	34	161	619
External supervisors							
Zhuo Zeyuan	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Bai Guangwei	200	–	–	200	–	–	200

	Year ended 31 December 2023						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Shareholders' representative supervisors							
Wang Weiping	–	–	–	–	–	–	–
Pang Zhengyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–
Former independent non-executive directors							
Jin Haiteng	117	–	–	117	–	–	117
Sun Shihu	117	–	–	117	–	–	117
Ye Xiang	117	–	–	117	–	–	117
Former employees' representative supervisors							
Guo Zhenrong	–	15	171	186	3	74	263
Former external supervisors							
Liu Shoubao	17	–	–	17	–	–	17
Liu Min	17	–	–	17	–	–	17
Total	1,585	1,425	3,280	6,290	185	845	7,320

	Year ended 31 December 2022						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Hao Qiang	–	325	361	686	34	161	881
Zhang Yunfei	–	262	443	705	34	201	940
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Ma Hongchao	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Sai Zhiyi	–	–	–	–	–	–	–
Hu Zhihong	–	–	–	–	–	–	–
Chan Ngai Sang Kenny	–	–	–	–	–	–	–
Employees' representative supervisors							
Xie Liying	–	297	335	632	34	234	900
Wen Qingquan	–	219	501	720	34	204	958
Su Hua	–	–	–	–	–	–	–
External supervisors							
Zhuo Zeyuan	–	–	–	–	–	–	–
Wu Jun	200	–	–	200	–	–	200
Bai Guangwei	–	–	–	–	–	–	–
Shareholders' representative supervisors							
Wang Weiping	–	–	–	–	–	–	–
Pang Zhengyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–

	Year ended 31 December 2022						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Former non-executive directors							
Xiang Lijun	–	–	–	–	–	–	–
Former independent non-executive directors							
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	200	–	–	200	–	–	200
Former employees' representative supervisors							
Guo Zhenrong	–	197	443	640	34	206	880
Former external supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Former shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,600	1,300	2,083	4,983	170	1,006	6,159

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes:

(a) At the extraordinary general meeting of shareholders held on 22 December 2022, Ma Hongchao was elected as a non-executive director, Hu Zhihong and Chan Ngai Sang Kenny were elected as independent non-executive directors. The Shanxi Regulatory Bureau of the former China Banking and Insurance Regulatory Commission has approved Mr. Ma's qualification as a non-executive director of the Bank, Ms. Hu's and Mr. Chan's qualifications as independent non-executive directors of the Bank, taking effect on 25 June 2023.

(b) After the change of the Board of Supervisors on 22 December 2022, Guo Zhenrong no longer served as the employee representative supervisor, Bi Guoyu and Xia Guisuo no longer served as shareholder representative supervisor, and Liu Shoubao and Liu Min no longer served as external supervisor.

(c) On 20 September 2022, Li Yang's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the former China Banking and Insurance Regulatory Commission has approved Mr. Li's qualification as a director of the Bank.

(d) On 26 August 2022, Duan Qingshan's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the former China Banking and Insurance Regulatory Commission has approved Mr. Duan's qualification as a director of the Bank.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2023, the five individuals with highest emoluments did not include any directors and supervisors of the Bank.

The emoluments for the five highest paid individuals for the year ended 31 December 2023 are as follows:

	2023	2022
Salaries and other emoluments	**1,461**	1,114
Discretionary bonuses	**8,966**	9,323
Contributions to pension schemes	**185**	167
Others	**794**	721
Total	**11,406**	11,325

The numbers of these individuals whose emoluments are within the following bands are set out below:

	2023	2022
HKD1,000,001 – 1,500,000	**–**	1
HKD1,500,001 – 2,000,000	**1**	3
HKD2,000,001 – 2,500,000	**2**	–
HKD2,500,001 – 3,000,000	**1**	–
HKD3,000,001 – 3,500,000	**–**	–
HKD3,500,001 – 4,000,000	**1**	–
HKD4,000,001 – 4,500,000	**–**	–
HKD4,500,001 – 5,000,000	**–**	–
HKD5,000,001 and above	**–**	1

None of these individuals received any inducement to join or upon joining the Group or as compensation for loss of office, or waived any emoluments during the year.

11. IMPAIRMENT LOSSES ON CREDIT

	2023	2022
Loans and advances to customers	**959,069**	1,229,305
Financial investments	**474,339**	358,704
Placements with banks and other financial institutions	**20,672**	6,005
Financial assets held under resale agreements	**2**	(1)
Deposits with banks and other financial institutions	**(220)**	(892)
Credit commitments	**(29,454)**	(333,895)
Others	**7,622**	(21,294)
Total	**1,432,030**	1,237,932

12. INCOME TAX EXPENSE

(a) Income tax expense:

	2023	2022
Current tax	**351,417**	67,234
Deferred tax	**(318,078)**	(46,282)
Total	**33,339**	20,952

(b) Reconciliations between income tax and accounting profit are as follows:

		2023	2022
Profit before tax		**2,033,890**	1,856,323
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**508,473**	464,081
Non-deductible expenses		**44,577**	57,051
Non-taxable income	*(i)*	**(519,711)**	(500,180)
Income tax		**33,339**	20,952

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds, and dividends from domestic funds.

13. BASIC AND DILUTED EARNINGS PER SHARE

		2023	2022
Net profit attributable to equity holders of the Bank		**2,002,911**	1,838,397
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.34**	0.31

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2023	2022
Number of ordinary shares at the beginning of the year	**5,838,650**	5,838,650
Weighted average number of ordinary shares issued during the year	**–**	–
Weighted average number of ordinary shares	**5,838,650**	5,838,650

Basic earnings per share amount has been computed by taking into account the aforesaid shares subscribed by the investors during the year.

14. CASH AND DEPOSITS WITH THE CENTRAL BANK

		31 December 2023	31 December 2022
Cash on hand		**318,482**	272,826
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**13,473,303**	12,439,357
– Surplus deposit reserves	*(b)*	**8,424,811**	4,196,286
– Fiscal deposits		**37,274**	42,168
Subtotal		**21,935,388**	16,677,811
Interest accrued		**6,667**	6,140
Total		**22,260,537**	16,956,777

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each reporting periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2023	31 December 2022
Reserve ratio for RMB deposits	**5.00%**	5.25%
Reserve ratio for foreign currency deposits	**4.00%**	6.00%

The statutory deposit reserves are not available for the Group's daily business. A subsidiary of the Bank is required to place statutory RMB deposit reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in Chinese mainland		
– Banks	**967,561**	679,113
– Other financial institutions	**1,375,296**	1,103,314
Subtotal	**2,342,857**	1,782,427
Deposits outside Chinese mainland		
– Banks	**2,423**	1,965
Interest accrued	**11,614**	13,450
Less: Allowances for impairment losses	**(236)**	(456)
Total	**2,356,658**	1,797,386

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Placements in Chinese mainland		
– Other financial institutions	**13,500,000**	1,558,000
Subtotal	**13,500,000**	1,558,000
Interest accrued	**201,611**	30,293
Less: Allowances for impairment losses	**(27,167)**	(6,495)
Total	**13,674,444**	1,581,798

17. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2023	31 December 2022
In Chinese mainland		
– Banks	**40,323,586**	19,464,083
– Other financial institutions	**1,190,975**	8,673,362
Subtotal	**41,514,561**	28,137,445
Interest accrued	**322**	3,557
Less: Allowances for impairment losses	**(3)**	(1)
Total	**41,514,880**	28,141,001

(b) Analysed by type of collateral held

	31 December 2023	31 December 2022
Debt securities		
– Government	**1,299,700**	10,748,269
– Policy banks	**2,290,975**	7,905,642
Subtotal	**3,590,675**	18,653,911
Bank acceptances	**37,923,886**	9,483,534
Subtotal	**41,514,561**	28,137,445
Interest accrued	**322**	3,557
Less: Allowances for impairment losses	**(3)**	(1)
Total	**41,514,880**	28,141,001

18. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2023	31 December 2022
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**120,284,397**	109,511,972
Personal loans		
– Residential mortgage loans	**22,983,722**	20,208,826
– Personal consumption loans	**2,938,696**	2,202,939
– Personal business loans	**1,294,562**	1,696,885
– Credit cards	**4,602,703**	4,698,195
Subtotal	**31,819,683**	28,806,845
Interest accrued	**951,933**	774,043
Less: Allowances for impairment losses on loans and advances to customers measured at amortised cost	**(6,778,302)**	(5,920,161)
Subtotal	**146,277,711**	133,172,699
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	**39,332,036**	47,733,104
Subtotal	**39,332,036**	47,733,104
Net loans and advances to customers	**185,609,747**	180,905,803

(b) Loans and advances to customers (excluding interest accrued) analysed by industry sector

	31 December 2023		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**43,960,904**	**22.96%**	**5,847,622**
Mining	**23,610,552**	**12.33%**	**5,580,021**
Wholesale and retail trade	**10,089,887**	**5.27%**	**2,916,313**
Leasing and commercial services	**8,985,826**	**4.69%**	**1,635,604**
Real estate	**8,469,260**	**4.42%**	**2,399,234**
Construction	**6,942,448**	**3.63%**	**1,073,488**
Production and supply of electric power, heating, gas and water	**5,081,743**	**2.65%**	**122,150**
Water, environment and public utility management	**3,595,434**	**1.88%**	**417,500**
Transportation, storage and postal services	**3,043,886**	**1.59%**	**680,343**
Financial services	**2,841,378**	**1.48%**	**307,025**
Lodging and catering	**591,178**	**0.31%**	**338,376**
Agriculture, forestry, animal husbandry and fishery	**154,576**	**0.08%**	**61,112**
Education	**137,987**	**0.07%**	**131,637**
Others	**2,779,338**	**1.47%**	**1,843,964**
Subtotal of corporate loans and advances	**120,284,397**	**62.83%**	**23,354,389**
Personal loans	**31,819,683**	**16.62%**	**16,626,169**
Discounted bills	**39,332,036**	**20.55%**	**39,332,036**
Gross loans and advances to customers	**191,436,116**	**100.00%**	**79,312,594**

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	40,371,756	21.70%	4,656,613
Mining	20,878,205	11.22%	5,016,111
Wholesale and retail trade	11,694,657	6.29%	3,666,329
Real estate	8,204,303	4.41%	2,312,542
Leasing and commercial services	7,630,944	4.10%	758,799
Construction	4,557,080	2.45%	804,048
Production and supply of electric power, heating, gas and water	3,978,686	2.14%	162,000
Water, environment and public utility management	3,228,295	1.74%	43,224
Financial services	3,128,133	1.68%	63,650
Transportation, storage and postal services	1,929,945	1.04%	1,034,540
Lodging and catering	642,397	0.35%	376,786
Agriculture, forestry, animal husbandry and fishery	180,133	0.10%	54,267
Education	135,200	0.07%	131,050
Others	2,952,238	1.57%	1,933,690
Subtotal of corporate loans and advances	109,511,972	58.86%	21,013,649
Personal loans	28,806,845	15.48%	13,417,229
Discounted bills	47,733,104	25.66%	47,733,104
Gross loans and advances to customers	186,051,921	100.00%	82,163,982

As at the end of each reporting periods and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued), the corresponding allowances and the provision and write-off of impairment losses in respect of each industry sector which constituted 10% or more of gross loans and advances to customers is as follows:

	31 December 2023					
	Credit-impaired loans and advances	**Expected credit losses over the next 12 months**	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Impairment charged during the year**	**Written off during the year**
Manufacturing	**327,891**	**1,094,153**	**417,891**	**156,225**	**271,462**	**–**
Mining	**–**	**586,094**	**218,110**	**–**	**94,897**	**–**

	31 December 2022					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Impairment charged/(reversed) during the year	Written off during the year
Manufacturing	297,958	1,037,999	214,063	144,745	42,840	20,476
Mining	9,283	514,982	191,443	2,882	(57,221)	–

(c) Analysed by type of collateral

	31 December 2023	31 December 2022
Unsecured loans	**26,314,437**	20,169,607
Guaranteed loans	**85,809,085**	83,718,332
Collateralised loans	**29,073,478**	25,475,938
Pledged loans	**50,239,116**	56,688,044
Subtotal	**191,436,116**	186,051,921
Interest accrued	**951,933**	774,043
Gross loans and advances to customers	**192,388,049**	186,825,964
Less: Allowances for impairment losses on loans and advances to customers measured at amortised cost	**(6,778,302)**	(5,920,161)
Net loans and advances to customers	**185,609,747**	180,905,803

(d) **Overdue loans (excluding interest accrued) analysed by overdue period**

	31 December 2023				
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**90,002**	**149,652**	**273,106**	**37,499**	**550,259**
Guaranteed loans	**812,268**	**80,190**	**1,596,740**	**216,782**	**2,705,980**
Collateralised loans	**48,070**	**97,535**	**487,738**	**85,367**	**718,710**
Pledged loans	**300**	**–**	**5,952**	**9,500**	**15,752**
Total	**950,640**	**327,377**	**2,363,536**	**349,148**	**3,990,701**
As a percentage of gross loans and advances to customers	**0.50%**	**0.17%**	**1.23%**	**0.18%**	**2.08%**

	31 December 2022				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	449,618	129,145	133,571	12,759	725,093
Guaranteed loans	233,550	402,993	1,339,378	145,848	2,121,769
Collateralised loans	133,220	347,867	313,239	63,724	858,050
Pledged loans	4,692	–	5,998	9,500	20,190
Total	821,080	880,005	1,792,186	231,831	3,725,102
As a percentage of gross loans and advances to customers	0.44%	0.48%	0.96%	0.12%	2.00%

Overdue loans represent loans of which the whole or part of the principals or interest were overdue for one day or more.

(e) Loans and advances and allowances for impairment losses

	31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans[(i)]**	**Total**
Total loans and advances to customers measured at amortised cost	**142,486,468**	**7,157,269**	**3,412,276**	**153,056,013**
Less: Allowances for impairment losses	**(3,246,691)**	**(1,486,571)**	**(2,045,040)**	**(6,778,302)**
Carrying amount of loans and advances to customers measured at amortised cost	**139,239,777**	**5,670,698**	**1,367,236**	**146,277,711**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**39,332,036**	**–**	**–**	**39,332,036**
Net loans and advances to customers	**178,571,813**	**5,670,698**	**1,367,236**	**185,609,747**

	31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans[(i)]	Total
Total loans and advances to customers measured at amortised cost	128,113,328	7,625,583	3,353,949	139,092,860
Less: Allowances for impairment losses	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Carrying amount of loans and advances to customers measured at amortised cost	125,338,745	6,279,655	1,554,299	133,172,699
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	47,733,104	–	–	47,733,104
Net loans and advances to customers	173,071,849	6,279,655	1,554,299	180,905,803

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as overdue of principal or interest for more than 90 days; the possibility that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties, etc.

(f) Movements in allowances for impairment losses

(i) Movements in allowances for impairment losses on loans and advances to customers measured at amortised cost:

	Year ended 31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**2,774,583**	**1,345,928**	**1,799,650**	**5,920,161**
Transferred:				
– to expected credit losses over the next 12 months	**75,606**	**(55,244)**	**(20,362)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(3,435)**	**34,100**	**(30,665)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(5,641)**	**(48,821)**	**54,462**	**–**
Charge for the year	**405,578**	**210,608**	**358,278**	**974,464**
Transfer out	**–**	**–**	**(39,831)**	**(39,831)**
Recoveries	**–**	**–**	**5,166**	**5,166**
Other changes	**–**	**–**	**(81,658)**	**(81,658)**
As at 31 December	**3,246,691**	**1,486,571**	**2,045,040**	**6,778,302**

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	2,476,152	1,353,755	1,447,201	5,277,108
Transferred:				
– to expected credit losses over the next 12 months	40,614	(31,962)	(8,652)	–
– to lifetime expected credit losses: not credit-impaired loans	(9,477)	16,033	(6,556)	–
– to lifetime expected credit losses: credit-impaired loans	(41,375)	(79,323)	120,698	–
Charge for the year	308,669	87,425	819,837	1,215,931
Transfer out	–	–	(328,385)	(328,385)
Recoveries	–	–	4,530	4,530
Write-offs	–	–	(143,821)	(143,821)
Other changes	–	–	(105,202)	(105,202)
As at 31 December	2,774,583	1,345,928	1,799,650	5,920,161

(ii) Movements in allowances for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**17,749**	**–**	**–**	**17,749**
Reversal of the year	**(15,395)**	**–**	**–**	**(15,395)**
As at 31 December	**2,354**	**–**	**–**	**2,354**

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	4,375	–	–	4,375
Charge for the year	13,374	–	–	13,374
As at 31 December	17,749	–	–	17,749

Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the year ended 31 December 2023, the Group transferred loans and advances with a gross amount of RMB80 million (for the year ended 31 December 2022: RMB522 million) to independent third parties, and the transfer price was RMB40 million (for the year ended 31 December 2022: RMB205 million).

During the years ended 31 December 2023 and 31 December 2022, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

19. FINANCIAL INVESTMENTS

		31 December 2023	31 December 2022
Financial investments measured at fair value through profit or loss	*(a)*	**11,731,796**	35,522,181
Financial investments measured at fair value through other comprehensive income	*(b)*	**4,807,100**	4,135,400
Financial investments measured at amortised cost	*(c)*	**74,276,507**	62,596,056
Total		**90,815,403**	102,253,637

(a) Financial investments measured at fair value through profit or loss

	31 December 2023	31 December 2022
Debt securities issued by the following institutions in Chinese mainland		
– Government	**305,189**	651,285
– Policy banks	**–**	197,235
– Banks and other financial institutions	**512,587**	420,016
– Corporates	**293,962**	532,065
Subtotal	**1,111,738**	1,800,601
Interbank deposits	**199,440**	148,065
Investment funds	**8,062,705**	30,821,223
Investment management products	**2,183,589**	2,554,662
Other investments	**174,324**	197,630
Total	**11,731,796**	35,522,181

As at 31 December 2023 and 31 December 2022, there were no investments subject to material restrictions in the realisation.

(b) Financial investments measured at fair value through other comprehensive income

	31 December 2023	31 December 2022
Debt securities issued by the following institutions in Chinese mainland		
– Government	**723,113**	964,999
– Policy banks	**1,122,922**	1,349,515
– Banks and other financial institutions	**270,657**	381,464
– Corporates	**101,838**	–
Subtotal	**2,218,530**	2,695,978
Interest accrued	**38,717**	45,223
Subtotal	**2,257,247**	2,741,201
Interbank deposits	**493,454**	–
Investment management products	**871,414**	751,811
Interest accrued	**37,352**	31,306
Subtotal	**908,766**	783,117
Other investments	**1,147,633**	611,082
Total	**4,807,100**	4,135,400

(i) As at 31 December 2023 and 31 December 2022, there were no investments subject to material restrictions in the realisation.

(ii) Movements in allowances for impairment losses on financial investments measured at fair value through other comprehensive income:

	Year ended 31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired**	**Lifetime expected credit losses: credit-impaired**	**Total**
Balance at 1 January	**2,244**	**–**	**–**	**2,244**
Charge for the year	**20**	**–**	**–**	**20**
Balance at 31 December	**2,264**	**–**	**–**	**2,264**

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	223	–	–	223
Charge for the year	2,021	–	–	2,021
Balance at 31 December	2,244	–	–	2,244

Allowances for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(c) Financial investments measured at amortised cost

		31 December 2023	31 December 2022
Debt securities issued by the following institutions in Chinese mainland	*(i)*		
– Government		**48,760,419**	36,580,714
– Policy banks		**14,105,837**	13,963,279
– Banks and other financial institutions		**4,573,802**	800,017
– Corporates		**791,339**	872,453
Interest accrued		**974,623**	817,507
Subtotal		**69,206,020**	53,033,970
Interbank deposits		**593,499**	–
Investment management products		**6,292,994**	10,880,559
Interest accrued		**6,233**	29,447
Subtotal		**6,299,227**	10,910,006
Less: Allowances for impairment losses	*(ii)*	**(1,822,239)**	(1,347,920)
Total		**74,276,507**	62,596,056

(i) As at the end of each reporting periods, certain debt securities were pledged for repurchase agreements (Note 40(f)).

(ii) Movements in allowances for impairment losses on financial investments measured at amortised cost:

	Year ended 31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired**	**Lifetime expected credit losses: credit-impaired**	**Total**
Balance at 1 January	**239,176**	**13,289**	**1,095,455**	**1,347,920**
(Reversal of)/Charge for the year	**(101,942)**	**53,862**	**522,399**	**474,319**
Balance at 31 December	**137,234**	**67,151**	**1,617,854**	**1,822,239**

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	222,062	242,777	865,773	1,330,612
Transfers:				
– to expected credit losses over the next 12 months	–	–	–	–
– to lifetime expected credit losses: not credit-impaired	–	–	–	–
– to lifetime expected credit losses: credit-impaired	–	(168,750)	168,750	–
Charge for the year	17,114	77,015	262,554	356,683
Transfer out	–	(137,753)	(201,622)	(339,375)
Balance at 31 December	239,176	13,289	1,095,455	1,347,920

(d) Financial investments are analysed as follows

	31 December 2023	31 December 2022
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**1,014,990**	1,703,853
– Unlisted	**96,748**	96,748
Interbank deposits		
– Listed	**199,440**	148,065
Fund investments and others		
– Listed	**174,324**	197,630
– Unlisted	**10,246,294**	33,375,885
Subtotal	**11,731,796**	35,522,181
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**2,257,247**	2,741,201
Interbank deposits		
– Listed	**493,454**	–
Investment management products and others		
– Listed	**1,074,139**	490,382
– Unlisted	**982,260**	903,817
Subtotal	**4,807,100**	4,135,400
Financial investments measured at amortised cost		
Debt securities		
– Listed	**69,058,162**	52,901,728
– Unlisted	**111,887**	107,923
Interbank deposits		
– Listed	**593,346**	–
Investment management products		
– Unlisted	**4,513,112**	9,586,405
Subtotal	**74,276,507**	62,596,056
Total	**90,815,403**	102,253,637
Listed	**74,865,102**	58,182,859
Unlisted	**15,950,301**	44,070,778
Total	**90,815,403**	102,253,637

Debt securities traded in the interbank market of Chinese mainland are included in “Listed”. Interbank deposits traded in the interbank market of Chinese mainland are classified as “Listed”.

20. INTEREST IN AN ASSOCIATE

	31 December 2023	31 December 2022
Interest in an associate	**343,551**	331,408

The following table contains information about the Group's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	**Percentages of equity/voting rights** **31 December 2023**	31 December 2022	**Place of incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd.	**40%**	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. ("Jinshang Consumer Finance"), which was registered in Taiyuan, Shanxi, China with its main business operating in Chinese mainland. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 31 December 2023, Jinshang Consumer Finance had share capital of RMB500 million.

The following tables illustrate the financial information of the Group's associate that is not individually material:

	31 December 2023	31 December 2022
Carrying amount of the individually immaterial associate in the statement of financial position of the Bank	**343,551**	331,408
Amounts of the Bank's share of results of the associate		
– Profit from continuing operations	**12,143**	20,784
– Cash dividends	**–**	(8,000)
– Total comprehensive income	**12,143**	12,784

21. INVESTMENT IN A SUBSIDIARY

	31 December 2023	31 December 2022
Qingxu Jinshang Village and Township Bank Co., Ltd.	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are operating in Chinese mainland, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 31 December 2023 and 31 December 2022, the Bank held the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 31 December 2023, Qingxu Village and Township Bank had share capital of RMB50 million.

22. PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2022	1,661,710	57,589	13,461	508,930	389,044	2,630,734
Additions	40,036	915	–	26,364	2,910	70,225
Disposals	–	(801)	–	(9,074)	(2,270)	(12,145)
As at 31 December 2022	1,701,746	57,703	13,461	526,220	389,684	2,688,814
Additions	72,870	4,107	–	41,172	18,140	136,289
Disposals	–	(1,166)	–	(23,070)	–	(24,236)
As at 31 December 2023	**1,774,616**	**60,644**	**13,461**	**544,322**	**407,824**	**2,800,867**
Accumulated depreciation						
As at 1 January 2022	(435,281)	(36,236)	(11,735)	(412,821)	(339,996)	(1,236,069)
Charge for the year	(79,021)	(6,041)	(544)	(43,999)	(15,150)	(144,755)
Disposals	–	778	–	8,795	2,270	11,843
As at 31 December 2022	(514,302)	(41,499)	(12,279)	(448,025)	(352,876)	(1,368,981)
Charge for the year	(83,400)	(5,904)	(493)	(44,494)	(14,650)	(148,941)
Disposals	–	1,093	–	22,370	–	23,463
As at 31 December 2023	**(597,702)**	**(46,310)**	**(12,772)**	**(470,149)**	**(367,526)**	**(1,494,459)**
Net book value						
As at 31 December 2022	1,187,444	16,204	1,182	78,195	36,808	1,319,833
As at 31 December 2023	**1,176,914**	**14,334**	**689**	**74,173**	**40,298**	**1,306,408**

As at 31 December 2023, the net book values of premises of which title deeds were not yet finalised totalled RMB134 million (31 December 2022: RMB82 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each reporting periods are analysed by the remaining term of lease as follows:

	31 December 2023	31 December 2022
Held in Chinese mainland		
– Medium-term leases (10-20 years)	**1,176,914**	1,187,444

23. DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**7,160,668**	**1,790,167**	5,890,436	1,472,609
– Accrued staff costs	**881,956**	**220,489**	841,872	210,468
– Others	**880,716**	**220,179**	1,025,348	256,337
Subtotal	**8,923,340**	**2,230,835**	7,757,656	1,939,414
Deferred income tax liabilities				
– Fair value changes of financial assets	**(131,444)**	**(32,861)**	(278,224)	(69,556)
– Others	**(474,592)**	**(118,648)**	(377,796)	(94,449)
Subtotal	**(606,036)**	**(151,509)**	(656,020)	(164,005)
Net balances	**8,317,304**	**2,079,326**	7,101,636	1,775,409

(b) Movements in deferred tax

	Allowance for impairment losses[i]	**Accrued staff costs**	**Net (gains)/ losses on fair value changes**[ii]	**Others**	**Net balance of deferred tax assets**
As at 1 January 2022	1,462,735	177,188	(112,116)	182,839	1,710,646
Recognised in profit or loss	9,874	33,380	20,130	(20,951)	42,433
Recognised in other comprehensive income	–	(100)	22,430	–	22,330
As at 31 December 2022	1,472,609	210,468	(69,556)	161,888	1,775,409
Recognised in profit or loss	317,558	9,596	55,125	(60,357)	321,922
Recognised in other comprehensive income	–	425	(18,430)	–	(18,005)
As at 31 December 2023	1,790,167	220,489	(32,861)	101,531	2,079,326

Notes:

(i) The Group made allowances for impairment losses on loans and advances to customers and other assets. The allowances for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

24. OTHER ASSETS

		31 December 2023	31 December 2022
Accounts receivable and prepayments		**411,328**	445,168
Intangible assets	*(a)*	**344,339**	289,625
Right-of-use assets	*(b)*	**311,521**	338,538
Repossessed assets	*(c)*	**184,555**	187,670
Land use rights	*(d)*	**58,271**	60,036
Interest receivables	*(e)*	**30,013**	27,177
Long-term deferred expenses		**16,563**	13,404
Subtotal		**1,356,590**	1,361,618
Less: Allowances for impairment losses		**(12,513)**	(5,156)
Total		**1,344,077**	1,356,462

(a) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2022	460,385
Additions	81,946
Disposals	(117)
As at 31 December 2022	542,214
Additions	116,433
Disposals	(490)
As at 31 December 2023	658,157
Accumulated amortisation	
As at 1 January 2022	(188,315)
Additions	(64,281)
Disposals	7
As at 31 December 2022	(252,589)
Additions	(61,576)
Disposals	347
As at 31 December 2023	(313,818)
Net book value	
As at 31 December 2022	289,625
As at 31 December 2023	344,339

(b) Right-of-use assets

	Premises
Cost	
As at 1 January 2022	655,940
Additions	134,152
Deductions	(52,773)
As at 31 December 2022	737,319
Additions	101,695
Deductions	(39,007)
As at 31 December 2023	**800,007**
Accumulated depreciation	
As at 1 January 2022	(297,722)
Additions	(114,668)
Deductions	13,609
As at 31 December 2022	(398,781)
Additions	(111,746)
Deductions	22,041
As at 31 December 2023	**(488,486)**
Net book value	
As at 31 December 2022	338,538
As at 31 December 2023	311,521

(c) Repossessed assets

	31 December 2023	31 December 2022
Land use rights and buildings	**184,555**	187,670
Less: Allowances for impairment losses	**(1,709)**	(1,709)
Net balances	**182,846**	185,961

(d) Land use rights

The carrying value of land use rights is analysed based on the remaining term of lease as follows:

	31 December 2023	31 December 2022
For land located in Chinese mainland:		
10-35 years	**58,271**	60,036

The Group's right-of-use assets include the above-mentioned fully prepaid land use rights and other right-of-use assets disclosed in Note 24(b).

The amortisation period of the Group's land use rights is between 10 and 35 years.

(e) Interest receivables

	31 December 2023	31 December 2022
Interest receivables arising from:		
Loans and advances to customers	**30,013**	27,177
Total	**30,013**	27,177

As at 31 December 2023 and 31 December 2022, interest receivables only included interest that has been due for the relevant financial instruments but not yet received at the end of the reporting period. Interest on financial instruments based on the effective interest method has been reflected in the balances of the corresponding financial instruments.

25. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in Chinese mainland		
– Banks	**1,038**	48,297
– Other financial institutions	**45,207**	71,022
Subtotal	**46,245**	119,319
Interest accrued	**671**	751
Total	**46,916**	120,070

26. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2023	31 December 2022
In Chinese mainland		
– Banks	**20,609,688**	19,679,611
– Other financial institutions	**1,450,303**	517,801
Subtotal	**22,059,991**	20,197,412
Interest accrued	**18,698**	18,105
Total	**22,078,689**	20,215,517

(b) Analysed by type of collateral held

	31 December 2023	31 December 2022
Debt securities	**14,607,300**	17,723,500
Bank acceptances	**7,452,691**	2,473,912
Subtotal	**22,059,991**	20,197,412
Interest accrued	**18,698**	18,105
Total	**22,078,689**	20,215,517

27. DEPOSITS FROM CUSTOMERS

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	**57,557,248**	51,771,406
– Individual customers	**14,452,632**	16,896,028
Subtotal	**72,009,880**	68,667,434
Time deposits		
– Corporate customers	**70,109,318**	55,825,225
– Individual customers	**119,394,954**	103,106,145
Subtotal	**189,504,272**	158,931,370
Pledged deposits		
– Acceptances	**15,340,401**	17,817,539
– Letters of credit and guarantee	**2,498,124**	2,101,885
– Letters of guarantee	**31,800**	43,709
– Others	**1,305,226**	732,588
Subtotal	**19,175,551**	20,695,721
Fiscal deposits	**12**	12
Inward and outward remittances	**392,227**	139,305
Accrued interest	**7,168,423**	5,337,019
Total	**288,250,365**	253,770,861

28. DEBT SECURITIES ISSUED

		31 December 2023	31 December 2022
Interbank deposits issued	*(a)*	**19,736,643**	27,360,089
Tier-two capital bonds issued	*(b)*	**1,999,148**	1,999,049
Financial bonds issued	*(c)*	**–**	3,999,870
Subtotal		**21,735,791**	33,359,008
Interest accrued		**90,100**	175,250
Total		**21,825,891**	33,534,258

(a) Interbank deposits issued

(i) During the year ended 31 December 2023, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB45,550 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.78% to 2.85% per annum.

(ii) During the year ended 31 December 2022, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB57,450 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.33% to 2.70% per annum.

(iii) As at 31 December 2023, the fair value of interbank deposits issued was RMB19,664 million (31 December 2022: RMB27,208 million).

(b) Tier-two capital bonds issued

(i) In January 2021, the Bank issued ten-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.

(ii) As at 31 December 2023, the fair value of the tier-two capital bonds issued was RMB2,058 million (31 December 2022: RMB2,003 million).

(c) Financial bonds issued

(i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%.

(ii) As at 31 December 2023, the issued financial bonds matured with a balance of 0 (as at 31 December 2022, the fair value of financial bonds issued was RMB4,006 million).

29. OTHER LIABILITIES

		31 December 2023	31 December 2022
Accrued staff cost	*(a)*	**896,389**	841,770
Accounts payable in the process of clearance and settlement		**455,755**	554,460
Lease liabilities	*(b)*	**309,827**	323,734
Provisions	*(c)*	**300,987**	330,441
Other taxes payable		**111,949**	124,159
Dividend payable		**86,857**	117,569
Deferred income		**80,007**	107,318
Total		**2,241,771**	2,399,451

(a) Accrued staff cost

	31 December 2023	31 December 2022
Salary, bonuses and allowances payable	**755,303**	696,413
Supplementary retirement benefits payable	**41,165**	40,996
Pension and annuity payable	**23,217**	14,839
Other social insurance payable	**10,754**	13,279
Housing fund payable	**8,816**	6,165
Others	**57,134**	70,078
Total	**896,389**	841,770

Supplementary retirement benefits

The Group pays supplementary retirement benefits to eligible employees. The amount confirmed in the statement of financial position represents the discounted value of the estimated benefit liability promised to be paid at the end of the reporting period. The supplementary retirement benefits payable of the Group at the end of the relevant reporting period are actuarial assessed by independent actuary Taorui Huiyue Management Consulting (Shenzhen) Co., Ltd. using the projected unit credit method.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2023	31 December 2022
Present value of supplementary retirement benefits	**41,165**	40,996

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2023	2022
As at 1 January	**40,996**	49,314
Benefits paid during the year	**(3,461)**	(8,078)
Defined benefit cost recognised in profit or loss	**1,930**	160
Defined benefit cost recognised in other comprehensive income	**1,700**	(400)
As at 31 December	**41,165**	40,996

(iii) Principal actuarial assumptions of the Group are as follows:

Early retirement plan

	31 December 2023	31 December 2022
Discount rate	**2.25%**	2.50%
Mortality	**Note**	Note
Annual increase rate of social insurance for existing early retirees	**7.00%**	7.00%
Annual increase rate of living expenses, housing fund and annuity for existing early retirees	**3.50%**	3.50%
Annual increase rate of other allowances for existing early retirees	**0.00%**	0.00%

Supplementary retirement plan

	31 December 2023	31 December 2022
Discount rate	**2.50%**	3.00%
Mortality	**Note**	Note
Turnover rate		
More than 10 years before retirement	**2.00%**	2.00%
Less than 10 years before retirement	**0.00%**	0.00%
Annual growth rate of one-time "one-child" welfare	**7.00%**	7.00%

Note: As at 31 December 2023 and 31 December 2022, mortality assumptions were based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by PLICC, which were published historical statistics in Chinese mainland.

(b) Lease liabilities

Undiscounted analysis of the maturity of lease liabilities:

	31 December 2023	31 December 2022
Within one year (inclusive)	**120,822**	124,433
Between one year and two years (inclusive)	**70,852**	78,495
Between two years and three years (inclusive)	**41,750**	45,987
Between three years and five years (inclusive)	**49,888**	51,749
More than five years	**58,145**	58,007
Total undiscounted lease liabilities	**341,457**	358,671
Total carrying amount	**309,827**	323,734

(c) Provisions

		31 December 2023	31 December 2022
Expected credit losses	*(i)*	**300,987**	330,441

(i) Movements in provisions for expected credit losses are as follows:

	Year ended 31 December 2023			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**328,358**	**1,348**	**735**	**330,441**
Transferred				
– to expected credit losses over the next 12 months	**189**	**(189)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(23)**	**79**	**(56)**	**–**
– to lifetime expected credit losses credit-impaired	**–**	**(348)**	**348**	**–**
(Reversal of)/Charge for the year	**(29,514)**	**(128)**	**188**	**(29,454)**
Balance at 31 December	**299,010**	**762**	**1,215**	**300,987**

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	647,981	15,614	741	664,336
Transferred				
– to expected credit losses over the next 12 months	91	(91)	–	–
– to lifetime expected credit losses not credit-impaired	(89)	89	–	–
– to lifetime expected credit losses credit-impaired	(44)	(1)	45	–
Reversal of the year	(319,581)	(14,263)	(51)	(333,895)
Balance at 31 December	328,358	1,348	735	330,441

30. SHARE CAPITAL

	31 December 2023	31 December 2022
Domestic RMB ordinary shares	**4,868,000**	4,868,000
Offshore listed ordinary shares (H Shares)	**970,650**	970,650
Total	**5,838,650**	5,838,650

All of the above H shares are listed on The Stock Exchange of Hong Kong Limited. The par value of the domestic RMB ordinary shares and the offshore listed ordinary shares is RMB1, and these shares will enjoy the same status in terms of declaration, payment or making of all dividends or distributions.

31. RESERVES

(a) Capital reserve

	31 December 2023	31 December 2022
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each reporting periods represented statutory surplus reserve fund and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses to statutory surplus reserve fund until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB201 million to the statutory surplus reserve fund for the year ended 31 December 2023. The Bank appropriated an amount of RMB184 million to the discretionary surplus reserve fund, that is 10% of its net profit on an annual basis of 2022 according to the resolution of the 2022 Annual General Meeting of Shareholders. (2022: RMB184 million to the statutory surplus reserve fund; no amount was appropriated to the discretionary surplus reserve fund).

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012]No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB4,218 million as at 31 December 2023(31 December 2022: RMB3,732 million).

(d) Fair value reserve

	2023	2022
As at 1 January	**(97,869)**	(30,580)
Changes in fair value recognised in other comprehensive income	**122,384**	21,760
Transfer to profit or loss upon disposal	**(48,665)**	(111,479)
Less: Deferred tax	**(18,430)**	22,430
As at 31 December	**(42,580)**	(97,869)

(e) Impairment reserve

	2023	2022
As at 1 January	**14,994**	3,448
Impairment losses recognised in other comprehensive income	**(15,376)**	15,395
Less: Deferred tax	**3,844**	(3,849)
As at 31 December	**3,462**	14,994

(f) Remeasurement a net defined benefit liability

Remeasurement a net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2023	2022
As at 1 January	**(4,065)**	(4,365)
Changes in fair value recognised in other comprehensive income	**(1,700)**	400
Less: Deferred tax	**425**	(100)
As at 31 December	**(5,340)**	(4,065)

32. RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 28 March 2024, the profit appropriation of the Bank for the year ended 31 December 2023 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of discretionary surplus reserve based on 35% of the net profit;

– Appropriation of general reserve amounting to approximately RMB486 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

The above profit appropriation is subject to the approval of the Bank's general meeting of shareholders.

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 28 March 2023, and approval at the 2022 Annual General Meeting of Shareholders held on 9 June 2023, the profit appropriation of the Bank for the year ended 31 December 2022 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of discretionary surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB581 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

(b) **Movements in components of equity**

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Fair value reserve**	**Impairment reserve**	**Deficit on remeasurement of a net defined benefit liability**	**Retained earnings**	**Total**
Balance at 1 January 2023	**5,838,650**	**6,627,602**	**3,976,682**	**3,732,265**	**(97,869)**	**14,994**	**(4,065)**	**3,253,027**	**23,341,286**
Changes in equity for the year									
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,005,364**	**2,005,364**
Other comprehensive income	**–**	**–**	**–**	**–**	**55,289**	**(11,532)**	**(1,275)**	**–**	**42,482**
Total comprehensive income	**–**	**–**	**–**	**–**	**55,289**	**(11,532)**	**(1,275)**	**2,005,364**	**2,047,846**
Appropriation of profits									
– Appropriation to surplus reserve	**–**	**–**	**384,690**	**–**	**–**	**–**	**–**	**(384,690)**	**–**
– Appropriation to general reserve	**–**	**–**	**–**	**485,965**	**–**	**–**	**–**	**(485,965)**	**–**
– Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(583,865)**	**(583,865)**
Balance at 31 December 2023	**5,838,650**	**6,627,602**	**4,361,372**	**4,218,230**	**(42,580)**	**3,462**	**(5,340)**	**3,803,871**	**24,805,267**

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total
Balance at 1 January 2022	5,838,650	6,627,602	3,792,525	3,151,208	(30,580)	3,448	(4,365)	2,760,561	22,139,049
Changes in equity for the year									
Net profit for the year	–	–	–	–	–	–	–	1,841,545	1,841,545
Other comprehensive income	–	–	–	–	(67,289)	11,546	300	–	(55,443)
Total comprehensive income	–	–	–	–	(67,289)	11,546	300	1,841,545	1,786,102
Appropriation of profits									
– Appropriation to surplus reserve	–	–	184,157	–	–	–	–	(184,157)	–
– Appropriation to general reserve	–	–	–	581,057	–	–	–	(581,057)	–
– Dividends paid to shareholders	–	–	–	–	–	–	–	(583,865)	(583,865)
Balance at 31 December 2022	5,838,650	6,627,602	3,976,682	3,732,265	(97,869)	14,994	(4,065)	3,253,027	23,341,286

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

	2023	2022
Cash and cash equivalents as at 31 December	**12,057,574**	5,150,304
Less: Cash and cash equivalents at the beginning of the year	**(5,150,304)**	(16,315,416)
Net increase/(decrease) in cash and cash equivalents	**6,907,270**	(11,165,112)

(b) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	**318,482**	272,826
Deposits with the central bank other than restricted deposits	**8,424,811**	4,196,286
Deposits with banks and other financial institutions	**1,314,281**	681,192
Placements with banks and other financial institutions	**2,000,000**	–
Total	**12,057,574**	5,150,304

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued *(Note 28)*	**Interest accrued arising from debt securities issued *(Note 28)***	**Lease liabilities *(Note 29)***	**Total**
As at 1 January 2023	**33,359,008**	**175,250**	**323,734**	**33,857,992**
Changes from financing cash flows				
Net proceeds from new debt securities issued	**45,536,783**	**–**	**–**	**45,536,783**
Repayment of debt securities issued	**(57,160,000)**	**–**	**–**	**(57,160,000)**
Interest paid on debt securities issued	**–**	**(664,753)**	**–**	**(664,753)**
Repayment of lease liabilities	**–**	**–**	**(114,168)**	**(114,168)**
Interest paid on lease liabilities	**–**	**–**	**(11,149)**	**(11,149)**
Total changes from financing cash flows	**(11,623,217)**	**(664,753)**	**(125,317)**	**(12,413,287)**
Other changes				
Interest expense *(Note 3)*	**–**	**579,603**	**–**	**579,603**
New leases	**–**	**–**	**111,410**	**111,410**
Total other changes	**–**	**579,603**	**111,410**	**691,013**
As at 31 December 2023	**21,735,791**	**90,100**	**309,827**	**22,135,718**

	Debt securities issued *(Note 28)*	Interest accrued arising from debt securities issued *(Note 28)*	Lease liabilities *(Note 29)*	Total
As at 1 January 2022	58,791,939	175,250	336,347	59,303,536
Changes from financing cash flows				
Net proceeds from new debt securities issued	57,847,069	–	–	57,847,069
Repayment of debt securities issued	(83,280,000)	–	–	(83,280,000)
Interest paid on debt securities issued	–	(1,072,527)	–	(1,072,527)
Repayment of lease liabilities	–	–	(124,671)	(124,671)
Interest paid on lease liabilities	–	–	(13,013)	(13,013)
Total changes from financing cash flows	(25,432,931)	(1,072,527)	(137,684)	(26,643,142)
Other changes				
Interest expense *(Note 3)*	–	1,072,527	–	1,072,527
New leases	–	–	125,071	125,071
Total other changes	–	1,072,527	125,071	1,197,598
As at 31 December 2022	33,359,008	175,250	323,734	33,857,992

34. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables with conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC required commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". The Group is required to meet the requirements of the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". During the reporting year, the Group complied with the capital requirements imposed by the regulatory authorities.

The Group's capital adequacy ratios at 31 December 2023 and 31 December 2022 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant requirements promulgated by the former CBRC are as follows:

	31 December 2023	31 December 2022
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**4,361,372**	3,976,682
– General reserve	**4,228,153**	3,742,188
– Other comprehensive income	**(44,458)**	(86,940)
– Retained earnings	**3,785,300**	3,236,909
– Qualifying portions of non-controlling interests	**6,041**	6,833
Core tier-one capital	**24,802,660**	23,341,924
Core tier-one capital deductions	**(344,339)**	(289,625)
Net core tier-one capital	**24,458,321**	23,052,299
Other tier-one capital	**805**	911
Net tier-one capital	**24,459,126**	23,053,210
Tier-two capital		
– Tier-two capital instruments issued and share premium	**2,000,000**	2,000,000
– Surplus allowances for loan impairment	**2,462,273**	2,186,210
– Qualifying portions of non-controlling interests	**1,611**	1,822
Net tier-two capital	**4,463,884**	4,188,032
Net capital base	**28,923,010**	27,241,242
Total risk weighted assets	**219,585,893**	219,608,205
Core tier-one capital adequacy ratio	**11.14%**	10.50%
Tier-one capital adequacy ratio	**11.14%**	10.50%
Capital adequacy ratio	**13.17%**	12.40%

35. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to the Bank, influencing the financial and operational management decisions of the Bank through agreements or other means.

For the year ended 31 December 2023, general information and shareholdings of major shareholders are as follows:

Name	Place of registration	Registered Capital **31 December 2023**	Registered Capital 31 December 2022	Economic nature or type	Legal representative/ head	Business scope	Number of shares	Proportion of shareholding **31 December 2023**	Proportion of shareholding 31 December 2022
Shanxi Finance Bureau (山西省財政廳)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Chang Guohua	N/A	715,109	**12.25%**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beijing	**9,800,000**	9,800,000	Limited liability company	Ye Cai	Investment, asset management, and asset trusteeship service	600,000	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Tian Wenhao	N/A	466,142	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	Changzhi, Shanxi	**520,000**	520,000	Limited liability company	Fan Yunfeng	Corporate headquarters management, corporate management consulting, property service, and construction work	450,657	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	Changzhi, Shanxi	**4,198,816**	4,198,816	Limited liability company	Ma Junxiang	Production and sale of coal, accommodation service, catering service, and wood processing	359,092	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	Taiyuan, Shanxi	**6,000,000**	6,000,000	Limited liability company	Shi Xiaowen	Electric power business, electricity generation business, and the technology consulting of power transmission project	300,000	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	Taiyuan, Shanxi	**10,623,230**	10,623,230	Limited liability company	Zhao Jianze	Mineral resources mining, coal mining, wholesale and retail steel.	291,339	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	Changzhi, Shanxi	**60,000**	60,000	Limited liability company	Duan Xiaosi	Sale of hardware, mineral and building materials	234,570	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	Jincheng, Shanxi	**3,905,196**	3,905,196	Limited liability company	Wang Suokui	Investment with its own funds, coal wholesale and engineering survey	200,000	**3.43%**	3.43%

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) ***Subsidiary of the Bank***

The detailed information of the Bank's subsidiary is set out in Note 21.

(iii) ***Associate of the Bank***

The detailed information of the Bank's associate is set out in Note 20.

(iv) ***Other related parties***

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

The Bank entered into related-party transactions in the normal course and terms of business, with pricing policies based on market prices.

(i) ***Transactions between the Bank and its major shareholders***

	2023	2022
Transactions during the year		
Interest income	**8,257**	10,660
Interest expense	**34,783**	54,241
Net fee and commission income	**861**	455
Operating expenses	**3**	90

	31 December 2023	31 December 2022
Balances at the end of the year		
Loans and advances to customers	**166,717**	164,321
Deposits from customers	**11,238,578**	2,402,325
Letters of credit	**293,750**	43,750

(ii) ***Transactions between the Bank and its subsidiary***

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	2023	2022
Transactions during the year		
Interest expense	**12,471**	5,533

	31 December 2023	31 December 2022
Balances at the end of the year		
Deposits from banks and other financial institutions	**493,714**	495,775

(iii) Transactions between the Bank and its associate:

	2023	2022
Transactions during the year		
Interest income	**36,603**	34,752
Interest expense	**280**	170
Net fee and commission income	**7,091**	6,718

	31 December 2023	31 December 2022
Balances at the end of the year		
Deposits with banks and other financial institutions	**1,381,618**	1,109,686
Deposits from banks and other financial institutions	**4,555**	9,138

(iv) Transactions between the Bank and other related parties

	2023	2022
Transactions during the year		
Interest income	**962,358**	929,998
Interest expense	**167,482**	238,585
Net fee and commission income	**70,048**	81,424
Operating expenses	**6,347**	4,814
Debt securities investments	**150,468**	50,398
Assets transferred	**–**	110,019

	31 December 2023	31 December 2022
Balances at the end of the year		
Loans and advances to customers	**21,285,216**	20,621,350
Financial investments	**1,453,211**	2,480,506
Deposits from customers	**13,730,550**	13,953,736
Deposits from banks and other financial institutions	**36,267**	45,071
Bank acceptances	**4,467,733**	6,141,561
Letters of credit	**1,836,600**	1,385,300

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	2023	2022
Transactions during the year		
Interest income	**44**	76
Interest expense	**30**	58

	31 December 2023	31 December 2022
Balances at the end of the year		
Loans and advances to customers	**940**	1,320
Deposits from customers	**3,666**	1,781

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows

	2023	2022
Key management personnel compensation	**14,378**	15,229

(d) Loans and advances to key management personnel

	2023	2022
Aggregate amount of relevant loans outstanding at the end of the year	**940**	1,320
Maximum aggregate amount of relevant loans outstanding during the year	**940**	1,320

36. SEGMENT REPORTING

The Group manages its business by business line. Being consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury business operations, including interbank money market transactions, repurchase transactions, interbank investments and debt security trading. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and measurement of segment income, expenses and results are based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

	Year ended 31 December 2023				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income/(expense)	**4,593,013**	**(2,811,553)**	**2,454,758**	**–**	**4,236,218**
Internal net interest (expense)/income	**(1,138,840)**	**3,908,723**	**(2,769,883)**	**–**	**–**
Net interest income/(expense)	**3,454,173**	**1,097,170**	**(315,125)**	**–**	**4,236,218**
Net fee and commission income	**424,933**	**248,452**	**29,470**	**–**	**702,855**
Net trading gains	**–**	**–**	**(76,766)**	**(1,742)**	**(78,508)**
Net gains arising from investment securities	**–**	**–**	**887,030**	**–**	**887,030**
Other operating income	**43,632**	**–**	**–**	**10,961**	**54,593**
Operating income	**3,922,738**	**1,345,622**	**524,609**	**9,219**	**5,802,188**
Operating expenses	**(1,072,450)**	**(1,041,029)**	**(196,840)**	**(38,092)**	**(2,348,411)**
Impairment losses on credit	**(641,808)**	**(295,429)**	**(494,793)**	**–**	**(1,432,030)**
Share of profits of an associate	**–**	**–**	**–**	**12,143**	**12,143**
Profit before tax	**2,208,480**	**9,164**	**(167,024)**	**(16,730)**	**2,033,890**
Segment assets	**157,421,596**	**30,838,636**	**170,965,473**	**–**	**359,225,705**
Deferred tax assets	**–**	**–**	**–**	**2,079,326**	**2,079,326**
Total assets	**157,421,596**	**30,838,636**	**170,965,473**	**2,079,326**	**361,305,031**
Segment liabilities	**155,642,770**	**134,779,510**	**46,069,945**	**–**	**336,492,225**
Total liabilities	**155,642,770**	**134,779,510**	**46,069,945**	**–**	**336,492,225**
Other segment information					
Depreciation and amortisation	**148,629**	**144,274**	**27,280**	**–**	**320,183**
Capital expenditure	**120,775**	**117,237**	**22,167**	**–**	**260,179**

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	4,636,801	(2,404,204)	1,360,405	–	3,593,002
Internal net interest (expense)/income	(1,317,630)	3,525,151	(2,207,521)	–	–
Net interest income/(expense)	3,319,171	1,120,947	(847,116)	–	3,593,002
Net fee and commission income	475,845	192,911	65,237	–	733,993
Net trading gains	–	–	(29,721)	(2,776)	(32,497)
Net gains arising from investment securities	–	–	917,579	–	917,579
Other operating income	28,599	–	–	19,498	48,097
Operating income	3,823,615	1,313,858	105,979	16,722	5,260,174
Operating expenses	(989,503)	(964,471)	(191,888)	(40,841)	(2,186,703)
Impairment losses on credit	(947,889)	73,773	(363,816)	–	(1,237,932)
Share of profits of an associate	–	–	–	20,784	20,784
Profit before tax	1,886,223	423,160	(449,725)	(3,335)	1,856,323
Segment assets	155,464,772	28,117,326	151,062,007	–	334,644,105
Deferred tax assets	–	–	–	1,775,409	1,775,409
Total assets	155,464,772	28,117,326	151,062,007	1,775,409	336,419,514
Segment liabilities	135,312,225	120,870,734	56,882,917	–	313,065,876
Total liabilities	135,312,225	120,870,734	56,882,917	–	313,065,876
Other segment information					
Depreciation and amortisation	149,559	145,776	29,003	–	324,338
Capital expenditure	71,211	69,410	13,810	–	154,431

37. RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Examination Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control. The Risk Management Department is also responsible for formulating risk management policies. The Credit Examination Department is independent from customer relationship and product management departments to ensure the independence of credit approval. Front office departments including the Department of Corporate Finance and the Personal Credit Asset Department, carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and inter-bank credit businesses, the Group has formulated credit investment policies and implemented differentiated portfolio management for different industries, regions, products and customers. With respect to pre-lending evaluations, the Group assesses customers' credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit-related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1:	Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.
Stage 2:	Financial assets have experienced a significant increase in credit risk since origination but is not considered to be credit-impaired, impairment is recognised on the basis of lifetime expected credit losses.
Stage 3:	Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is one or more of the following criteria are met:

– the credit spread increases significantly;

– significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– application of a grace period or debt-restructuring;

– significant changes with an adverse effect in the borrower's business conditions;

– decrease in value of the collateral (for the collateral loans and pledged loans only);

– early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or

– the borrowing is more than 30 days past due.

The Group uses the above criteria to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 31 December 2023 and 31 December 2022, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the end of the reporting period with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Classification of credit risk exposures

The Group classifies credit risk exposures with sufficient information by considering factors such as product types and customer types.

Measurement of expected credit losses ("ECLs")

The Group adopts the ECL model to measure the allowances for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

– PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;

– The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios. In 2023, the key assumptions the Group has taken include gross domestic product (GDP) and consumer price index (CPI), etc. The GDP growth rate: the predicted value under the base scenario during the year of 2024 is 4.88%, the optimistic predicted value is 5.20% and the pessimistic predicted value is 4.48%. The Group measures relevant provision for loss by the weighted 12-month ECL (for Stage 1) or the weighted lifetime ECL (for Stage 2 and Stage 3). The above weighted credit losses are calculated by multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regular basis.

As at 31 December 2023 and 31 December 2022, there have been no significant changes in the estimate techniques and key assumptions of the Group.

At the same time, when the management believes that the potential impact of economic fluctuations cannot be reflected by properly adjusting the model parameters above in time, the Group uses the management superposition to adjust the amount of expected credit loss.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each reporting periods.

(ii) Financial assets analysed by credit quality are summarised as follows:

	31 December 2023				
	Loans and Advances to customers	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Others****
Balances of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	**892**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**180,866,077**	**15,845,280**	**41,514,561**	**76,003,879**	**2,077**
Subtotal	**180,866,969**	**15,845,280**	**41,514,561**	**76,003,879**	**2,077**
Balances of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	**918,087**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**6,238,784**	**–**	**–**	**278,672**	**34,349**
Subtotal	**7,156,871**	**–**	**–**	**278,672**	**34,349**
Balances of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	**3,071,722**	**–**	**–**	**2,418,737**	**–**
– Credit-impaired but not overdue	**340,554**	**–**	**–**	**–**	**11,441**
Subtotal	**3,412,276**	**–**	**–**	**2,418,737**	**11,441**
N/A	**–**	**–**	**–**	**11,557,472**	**–**
Interest accrued	**951,933**	**213,225**	**322**	**1,056,925**	**–**
Less: Allowances for impairment losses	**(6,778,302)**	**(27,403)**	**(3)**	**(1,822,239)**	**(10,804)**
Net value	**185,609,747**	**16,031,102**	**41,514,880**	**89,493,446**	**37,063**

	31 December 2022				
	Loans and Advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balances of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	378,052	–	–	–	–
– Neither overdue nor credit-impaired	174,694,491	3,342,392	28,137,445	63,982,578	6,252
Subtotal	175,072,543	3,342,392	28,137,445	63,982,578	6,252
Balances of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	196,116	–	–	–	–
– Neither overdue nor credit-impaired	7,429,313	–	–	88,593	490
Subtotal	7,625,429	–	–	88,593	490
Balances of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	3,150,934	–	–	2,473,640	–
– Credit-impaired but not overdue	203,015	–	–	–	4,438
Subtotal	3,353,949	–	–	2,473,640	4,438
N/A	–	–	–	35,324,551	–
Interest accrued	774,043	43,743	3,557	923,483	–
Less: Allowances for impairment losses	(5,920,161)	(6,951)	(1)	(1,347,920)	(3,447)
Net value	180,905,803	3,379,184	28,141,001	101,444,925	7,733

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Others comprise interest receivables, other receivables and other financial assets.

Financial assets (excluding interest accrued) analysed by credit quality

	31 December 2023							
	Balance				Allowances for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	22,253,870	–	–	22,253,870	–	–	–	–
Deposits with banks and other financial institutions	2,345,280	–	–	2,345,280	(236)	–	–	(236)
Placements with banks and other financial institutions	13,500,000	–	–	13,500,000	(27,167)	–	–	(27,167)
Financial assets held under resale agreements	41,514,561	–	–	41,514,561	(3)	–	–	(3)
Loans and advances to customers	141,534,933	7,156,871	3,412,276	152,104,080	(3,246,691)	(1,486,571)	(2,045,040)	(6,778,302)
Financial investments	72,420,481	278,672	2,418,737	75,117,890	(137,234)	(67,151)	(1,617,854)	(1,822,239)
Other assets	2,077	34,349	11,441	47,867	(2)	(2,370)	(8,432)	(10,804)
Total	293,571,202	7,469,892	5,842,454	306,883,548	(3,411,333)	(1,556,092)	(3,671,326)	(8,638,751)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	39,332,036	–	–	39,332,036	(2,354)	–	–	(2,354)
Financial investments	3,583,398	–	–	3,583,398	(2,264)	–	–	(2,264)
Total	42,915,434	–	–	42,915,434	(4,618)	–	–	(4,618)
Credit commitments	69,860,951	9,882	4,343	69,875,176	(299,010)	(762)	(1,215)	(300,987)

	31 December 2022							
	Balance				Allowances for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	16,950,637	–	–	16,950,637	–	–	–	–
Deposits with banks and other financial institutions	1,784,392	–	–	1,784,392	(456)	–	–	(456)
Placements with banks and other financial institutions	1,558,000	–	–	1,558,000	(6,495)	–	–	(6,495)
Financial assets held under resale agreements	28,137,445	–	–	28,137,445	(1)	–	–	(1)
Loans and advances to customers	127,339,439	7,625,429	3,353,949	138,318,817	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Financial investments	60,534,789	88,593	2,473,640	63,097,022	(239,176)	(13,289)	(1,095,455)	(1,347,920)
Other assets	6,252	490	4,438	11,180	(68)	(15)	(3,364)	(3,447)
Total	236,310,954	7,714,512	5,832,027	249,857,493	(3,020,779)	(1,359,232)	(2,898,469)	(7,278,480)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	47,733,104	–	–	47,733,104	(17,749)	–	–	(17,749)
Financial investments	3,447,789	–	–	3,447,789	(2,244)	–	–	(2,244)
Total	51,180,893	–	–	51,180,893	(19,993)	–	–	(19,993)
Credit commitments	63,384,562	12,779	2,177	63,399,518	(328,358)	(1,348)	(735)	(330,441)

Expected credit losses ratios for financial instruments analysed by credit quality:

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.16%**	**20.83%**	**62.84%**	**2.81%**
Financial assets at fair value through other comprehensive income	**0.01%**	**N/A**	**N/A**	**0.01%**
Credit commitments	**0.43%**	**7.71%**	**27.98%**	**0.43%**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.28%	17.62%	49.70%	2.91%
Financial assets at fair value through other comprehensive income	0.04%	N/A	N/A	0.04%
Credit commitments	0.52%	10.55%	33.76%	0.52%

As at 31 December 2023, the fair values of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,119 million (31 December 2022: RMB4,974 million). The fair values of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB6,886 million (31 December 2022: RMB6,525 million). The collateral mainly includes land, buildings, machinery and equipment. The fair values of collaterals have estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of investments on debt securities (excluding interest accrued) analysed by credit rating as at the end of the reporting period are as follows:

	31 December 2023	31 December 2022
Neither overdue nor impaired		
Ratings		
– AAA	**68,963,095**	55,473,561
– AA- to AA+	**2,465,851**	1,118,415
Subtotal	**71,428,946**	56,591,976
Unrated	**96,748**	96,748
Total	**71,525,694**	56,688,724

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially set up a structure and a team for market risk management. The Bank's Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Board of Directors. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is from the asset and liability businesses involved in the market operation and the risks in interest rate and exchange rate relating to products.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial market business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movements in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis points(1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:

	31 December 2023					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	22,260,537	339,314	21,921,223	–	–	–
Deposits with banks and other financial institutions	2,356,658	11,614	1,384,117	960,927	–	–
Placements with banks and other financial institutions	13,674,444	201,611	2,997,565	10,475,268	–	–
Financial assets held under resale agreements	41,514,880	322	37,950,455	3,564,103	–	–
Loans and advances to customers*	185,609,747	2,110,094	68,913,734	56,333,132	45,187,224	13,065,563
Financial investments	90,815,403	13,522,807	3,133,239	7,525,446	51,959,278	14,674,633
Others	5,073,362	5,073,362	–	–	–	–
Total assets	361,305,031	21,259,124	136,300,333	78,858,876	97,146,502	27,740,196
Liabilities						
Borrowings from the central bank	1,726,222	932	4,000	1,721,290	–	–
Deposits from banks and other financial institutions	46,916	671	46,245	–	–	–
Financial assets sold under repurchase agreements	22,078,689	18,698	21,363,174	696,817	–	
Deposits from customers	288,250,365	7,583,012	109,313,587	69,016,290	102,337,476	–
Debt securities issued	21,825,891	90,100	5,308,488	14,428,155	–	1,999,148
Others	2,564,142	2,272,743	–	2,789	164,113	124,497
Total liabilities	336,492,225	9,966,156	136,035,494	85,865,341	102,501,589	2,123,645
Asset-liability gap	24,812,806	11,292,968	264,839	(7,006,465)	(5,355,087)	25,616,551

	31 December 2022					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	16,956,777	327,718	16,629,059	–	–	–
Deposits with banks and other financial institutions	1,797,386	13,450	780,736	1,003,200	–	–
Placements with banks and other financial institutions	1,581,798	30,293	378,400	1,173,105	–	–
Financial assets held under resale agreements	28,141,001	3,557	24,166,359	3,971,085	–	–
Loans and advances to customers*	180,905,803	2,084,638	55,284,792	77,288,174	28,034,820	18,213,379
Financial investments	102,253,637	36,583,013	3,741,462	9,480,282	41,237,439	11,211,441
Others	4,783,112	4,783,112	–	–	–	–
Total assets	336,419,514	43,825,781	100,980,808	92,915,846	69,272,259	29,424,820
Liabilities						
Borrowings from the central bank	2,873,767	1,661	785,115	2,086,991	–	–
Deposits from banks and other financial institutions	120,070	751	119,319	–	–	–
Financial assets sold under repurchase agreements	20,215,517	18,105	20,197,412	–	–	–
Deposits from customers	253,770,861	5,533,381	102,101,013	59,000,055	87,136,412	–
Debt securities issued	33,534,258	175,250	13,678,106	17,681,853	–	1,999,049
Others	2,551,403	2,243,149	–	7,065	165,940	135,249
Total liabilities	313,065,876	7,972,297	136,880,965	78,775,964	87,302,352	2,134,298
Asset-liability gap	23,353,638	35,853,484	(35,900,157)	14,139,882	(18,030,093)	27,290,522

* As at 31 December 2023, for loans and advances to customers, the category "Less than three months" included overdue amounts (net of allowances for impairment losses) of RMB577 million (31 December 2022: RMB571 million).

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2023	31 December 2022
	(Decrease)/	(Decrease)/
Change in net profit	**Increase**	Increase
Parallel upward shift of 100 bps in yield curves	**(24,197)**	(258,681)
Parallel downward shift of 100 bps in yield curves	**24,219**	258,804

	31 December 2023	31 December 2022
	(Decrease)/	(Decrease)/
Change in equity	**Increase**	Increase
Parallel upward shift of 100 bps in yield curves	**(52,138)**	(296,514)
Parallel downward shift of 100 bps in yield curves	**52,162**	296,559

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

– Interest rate movements at the end of the reporting period apply to all non-derivative financial instruments of the Group;

– At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Group.

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

Foreign currency risk

The currency of the majority of the business of the Group is Renminbi, where the currencies of the rest of the businesses are United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

The Group's currency exposures as at the end of each reporting periods are as follows:

	31 December 2023			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	**22,260,419**	**96**	**22**	**22,260,537**
Deposits with banks and other financial institutions	**2,317,299**	**36,840**	**2,519**	**2,356,658**
Placements with banks and other financial institutions	**13,674,444**	**–**	**–**	**13,674,444**
Financial assets held under resale agreements	**41,514,880**	**–**	**–**	**41,514,880**
Loans and advances to customers	**185,609,747**	**–**	**–**	**185,609,747**
Financial investments	**90,815,403**	**–**	**–**	**90,815,403**
Others	**5,073,362**	**–**	**–**	**5,073,362**
Total assets	**361,265,554**	**36,936**	**2,541**	**361,305,031**
Liabilities				
Borrowings from the central bank	**1,726,222**	**–**	**–**	**1,726,222**
Deposits from banks and other financial institutions	**46,916**	**–**	**–**	**46,916**
Financial assets sold under repurchase agreements	**22,078,689**	**–**	**–**	**22,078,689**
Deposits from customers	**288,249,894**	**334**	**137**	**288,250,365**
Debt securities issued	**21,825,891**	**–**	**–**	**21,825,891**
Others	**2,528,176**	**35,899**	**67**	**2,564,142**
Total liabilities	**336,455,788**	**36,233**	**204**	**336,492,225**
Net position	**24,809,766**	**703**	**2,337**	**24,812,806**
Off-balance sheet credit commitments	**69,875,176**	**–**	**–**	**69,875,176**

	31 December 2022			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	16,956,701	58	18	16,956,777
Deposits with banks and other financial institutions	1,761,116	34,215	2,055	1,797,386
Placements with banks and other financial institutions	1,581,798	–	–	1,581,798
Financial assets held under resale agreements	28,141,001	–	–	28,141,001
Loans and advances to customers	180,905,803	–	–	180,905,803
Financial investments	102,253,637	–	–	102,253,637
Others	4,783,112	–	–	4,783,112
Total assets	336,383,168	34,273	2,073	336,419,514
Liabilities				
Borrowings from the central bank	2,873,767	–	–	2,873,767
Deposits from banks and other financial institutions	120,070	–	–	120,070
Financial assets sold under repurchase agreements	20,215,517	–	–	20,215,517
Deposits from customers	253,769,998	743	120	253,770,861
Debt securities issued	33,534,258	–	–	33,534,258
Others	2,518,544	32,859	–	2,551,403
Total liabilities	313,032,154	33,602	120	313,065,876
Net position	23,351,014	671	1,953	23,353,638
Off-balance sheet credit commitments	63,399,518	–	–	63,399,518

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management, its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Retail Banking, Department of Personal Credit Assets, Department of Trade Finance, Department of Financial Market, Department of Technology Information and Audit Department of the Bank, which are responsible for formulating liquidity risk management strategies and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategies.

The measurement of liquidity risk of the Group adopts liquidity indicators and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of responses to liquidity risks, the Group strengthens the management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitor these indicators; builds up quality liquidity asset reserves and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

The following tables provide an analysis of assets and liabilities of the Group by maturity based on the remaining periods to repayment at the end of the reporting period:

	31 December 2023							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	13,510,577	8,743,293	6,667	–	–	–	–	22,260,537
Deposits with banks and other financial institutions	–	964,119	–	420,888	971,651	–	–	2,356,658
Placements with banks and other financial institutions	–	–	2,000,738	1,031,096	10,642,610	–	–	13,674,444
Financial assets held under resale agreements	–	–	26,413,226	11,537,551	3,564,103	–	–	41,514,880
Loans and advances to customers	1,905,904	3,146,552	14,669,774	23,621,854	57,624,321	47,614,736	37,026,606	185,609,747
Financial investments	2,863,661	8,062,705	348,717	2,833,948	8,139,953	53,543,112	15,023,307	90,815,403
Others	4,480,878	592,484	–	–	–	–	–	5,073,362
Total assets	22,761,020	21,509,153	43,439,122	39,445,337	80,942,638	101,157,848	52,049,913	361,305,031
Liabilities								
Borrowings from the central bank	–	–	–	4,932	1,721,290	–	–	1,726,222
Deposits from banks and other financial institutions	–	46,916	–	–	–	–	–	46,916
Financial assets sold under repurchase agreements	–	–	20,837,807	544,065	696,817	–	–	22,078,689
Deposits from customers	–	74,889,329	13,159,490	22,580,612	70,317,910	107,303,024	–	288,250,365
Debt securities issued	–	–	1,638,313	3,760,275	14,428,155	–	1,999,148	21,825,891
Others	–	2,237,251	17,124	14,182	95,528	147,342	52,715	2,564,142
Total liabilities	–	77,173,496	35,652,734	26,904,066	87,259,700	107,450,366	2,051,863	336,492,225
Net position	22,761,020	(55,664,343)	7,786,388	12,541,271	(6,317,062)	(6,292,518)	49,998,050	24,812,806

	31 December 2022							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	12,481,525	4,469,112	6,140	–	–	–	–	16,956,777
Deposits with banks and other financial institutions	–	680,857	–	101,893	1,014,636	–	–	1,797,386
Placements with banks and other financial institutions	–	–	–	387,822	1,193,976	–	–	1,581,798
Financial assets held under resale agreements	–	–	21,729,204	2,440,712	3,971,085	–	–	28,141,001
Loans and advances to customers	1,634,077	184,378	11,001,001	20,928,222	78,048,591	30,001,754	39,107,780	180,905,803
Financial investments	3,003,109	30,821,223	979,841	2,408,444	9,727,784	43,753,993	11,559,243	102,253,637
Others	4,163,162	619,950	–	–	–	–	–	4,783,112
Total assets	21,281,873	36,775,520	33,716,186	26,267,093	93,956,072	73,755,747	50,667,023	336,419,514
Liabilities								
Borrowings from the central bank	–	–	–	786,776	2,086,991	–	–	2,873,767
Deposits from banks and other financial institutions	–	120,070	–	–	–	–	–	120,070
Financial assets sold under repurchase agreements	–	–	19,697,716	517,801	–	–	–	20,215,517
Deposits from customers	–	71,652,172	14,796,425	16,910,490	60,054,691	90,357,083	–	253,770,861
Debt securities issued	–	–	3,875,656	9,892,549	17,767,004	–	1,999,049	33,534,258
Others	–	2,193,485	23,872	10,504	112,073	159,132	52,337	2,551,403
Total liabilities	–	73,965,727	38,393,669	28,118,120	80,020,759	90,516,215	2,051,386	313,065,876
Net position	21,281,873	(37,190,207)	(4,677,483)	(1,851,027)	13,935,313	(16,760,468)	48,615,637	23,353,638

* Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of financial investments represents the amount of impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

The following tables provides an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	31 December 2023							
	Carrying amount	**Contractual undiscounted cash flows**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**1,726,222**	**1,752,013**	**–**	**–**	**12,724**	**1,739,289**	**–**	**–**
Deposits from banks and other financial institutions	**46,916**	**46,916**	**46,916**	**–**	**–**	**–**	**–**	**–**
Financial assets sold under repurchase agreements	**22,078,689**	**22,084,784**	**–**	**20,843,902**	**544,065**	**696,817**	**–**	**–**
Deposits from customers	**288,250,365**	**297,822,444**	**74,889,329**	**13,176,282**	**22,670,853**	**71,513,692**	**115,572,288**	**–**
Debt securities issued	**21,825,891**	**22,754,800**	**–**	**1,645,600**	**3,780,000**	**14,660,000**	**382,400**	**2,286,800**
Other liabilities	**2,564,142**	**2,595,772**	**2,239,132**	**18,888**	**15,643**	**101,447**	**162,517**	**58,145**
Total non-derivative liabilities	**336,492,225**	**347,056,729**	**77,175,377**	**35,684,672**	**27,023,285**	**88,711,245**	**116,117,205**	**2,344,945**

	31 December 2022							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	2,873,767	2,908,175	–	–	799,747	2,108,428	–	–
Deposits from banks and other financial institutions	120,070	120,070	120,070	–	–	–	–	–
Financial assets sold under repurchase agreements	20,215,517	20,220,671	–	19,702,870	517,801	–	–	–
Deposits from customers	253,770,861	264,346,337	71,652,172	14,811,498	16,983,774	61,162,975	99,735,918	–
Debt securities issued	33,534,258	34,580,400	–	3,885,600	9,930,000	18,000,000	382,400	2,382,400
Other liabilities	2,551,403	2,586,340	2,195,235	26,458	11,642	118,701	176,297	58,007
Total non-derivative liabilities	313,065,876	324,761,993	73,967,477	38,426,426	28,242,964	81,390,104	100,294,615	2,440,407

This analysis of contractual undiscounted cash flows of the non-derivative liabilities might be different from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

– Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.

– Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

– Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

– Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, and establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pays constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

– Combination of punishments and incentives to encourage compliance and standard operations. Integral management will be implemented to personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

– Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

38. FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, the discount rates are based on the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of issued debt securities are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates, which are close to the PBOC rates. Accordingly, the carrying amounts approximate to the fair values.

Financial investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central bank, deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 28. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

– Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rates. When the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurement assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	**–**	**1,214,430**	**96,748**	**1,311,178**
– fund investments	**–**	**8,062,705**	**–**	**8,062,705**
– investment management products	**–**	**360,043**	**1,823,546**	**2,183,589**
– other investments	**174,324**	**–**	**–**	**174,324**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**2,750,701**	**–**	**2,750,701**
– investment management products	**–**	**908,766**	**–**	**908,766**
– other investments	**–**	**1,074,139**	**73,494**	**1,147,633**
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	**–**	**39,332,036**	**–**	**39,332,036**
Total	**174,324**	**53,702,820**	**1,993,788**	**55,870,932**

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	–	1,851,918	96,748	1,948,666
– fund investments	–	30,821,223	–	30,821,223
– investment management products	–	361,902	2,192,760	2,554,662
– other investments	197,630	–	–	197,630
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	2,741,201	–	2,741,201
– investment management products	–	783,117	–	783,117
– other investments	–	490,382	120,700	611,082
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	47,733,104	–	47,733,104
Total	197,630	84,782,847	2,410,208	87,390,685

The reconciliation information in the balance of Recurring Level 3 fair value measurements are as follows:

	1 January 2023	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2023	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	96,748	–	–	–	–	–	–	–	–	96,748	–
– investment management products	2,192,760	–	–	(102,018)	–	–	–	–	(267,196)	1,823,546	(108,149)
Subtotal	2,289,508	–	–	(102,018)	–	–	–	–	(267,196)	1,920,294	(108,149)
Financial investments at fair value through other comprehensive income											
– other investments	120,700	–	–	–	(47,206)	–	–	–	–	73,494	–
Total	2,410,208	–	–	(102,018)	(47,206)	–	–	–	(267,196)	1,993,788	(108,149)

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2022	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	94,390	–	–	2,358	–	–	–	–	–	96,748	2,358
– investment management products	2,036,552	166,455	–	(10,247)	–	–	–	–	–	2,192,760	(10,247)
Subtotal	2,130,942	166,455	–	(7,889)	–	–	–	–	–	2,289,508	(7,889)
Financial investments at fair value through other comprehensive income											
– other investments	120,700	–	–	–	–	–	–	–	–	120,700	–
Total	2,251,642	166,455	–	(7,889)	–	–	–	–	–	2,410,208	(7,889)

During the year ended 31 December 2023 and the year ended 31 December 2022, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The valuation technique used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2023	**Valuation technique**	**Unobservable inputs**
Financial investments at fair value through profit or loss			
– debt securities	**96,748**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
– investment management products	**1,823,546**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
Financial investments at fair value through other comprehensive income			
– other investments	**73,494**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**

	Fair value as at 31 December 2022	Valuation technique	Unobservable inputs
Financial investments at fair value through profit or loss			
– debt securities	96,748	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,192,760	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– other investments	120,700	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2023 and 2022, there was no significant change in the valuation techniques.

As at 31 December 2023 and 31 December 2022, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of favourable or unfavourable 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2023			
	Effect on net profit		**Effect on other comprehensive income**	
	Favourable	**(Unfavourable)**	**Favourable**	**(Unfavourable)**
Financial investments at fair value through profit or loss				
– debt securities	**2,829**	**(2,744)**	**–**	**–**
– investment management products	**22,028**	**(21,371)**	**–**	**–**
Financial investments at fair value through other comprehensive income				
– other investments	**–**	**–**	**4,406**	**(4,199)**

	At 31 December 2022			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	2,022	(1,981)	–	–
– investment management products	22,614	(22,023)	–	–
Financial investments at fair value through other comprehensive income				
– other investments	–	–	5,234	(4,940)

39. FIDUCIARY ACTIVITIES

Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2023	31 December 2022
Entrusted loans	**4,953,091**	5,233,630
Entrusted funds	**4,953,436**	5,233,933

40. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2023	31 December 2022
Loan commitments		
– Original contractual maturity within one year	**1,857,357**	1,758,637
– Original contractual maturity more than one year (inclusive)	**6,945,888**	7,292,468
Credit card commitments	**6,724,904**	6,309,324
Subtotal	**15,528,149**	15,360,429
Acceptances	**44,684,701**	39,084,645
Letters of credit	**9,552,633**	8,156,951
Letters of guarantee	**109,693**	198,493
Others	**–**	599,000
Total	**69,875,176**	63,399,518

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2023	31 December 2022
Credit risk-weighted amount for credit commitments	**26,893,789**	24,435,472

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments were as follows:

	31 December 2023	31 December 2022
Contracted but not paid for	**16,723**	57,288
Authorised but not contracted for	**2,652**	9,586
Total	**19,375**	66,874

(d) Outstanding litigations and disputes

As at 31 December 2023, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB8 million (31 December 2022: RMB28 thousand). The Group has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bond underwriting commitments and redemption obligations

The Group had no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of the PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2023 or 31 December 2022:

	31 December 2023	31 December 2022
Redemption obligations	**2,727,759**	2,617,991

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2023	31 December 2022
For repurchase agreements:		
– Financial investments measured at amortised cost	**16,306,284**	20,149,532
– Discounted bills	**7,450,642**	2,462,061
Total	**23,756,926**	22,611,593

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 17. The fair value of such collateral accepted by the Group was RMB41,758 million as at 31 December 2023 (31 December 2022: RMB29,239 million). These transactions were conducted under standard terms in the normal course of business.

As at December 31 2023 and December 31 2022, the Group had no collateral available for sale or outward encumbrance with an obligation to return at maturity.

41. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate management fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets were recognised as at 31 December 2023 and 31 December 2022:

	31 December 2023		31 December 2022	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**9,277,549**	**9,277,549**	32,110,901	32,110,901
Financial investments at fair value through other comprehensive income	**908,766**	**908,766**	783,117	783,117
Financial investments at amortised cost	**–**	**–**	464,004	464,004
Total	**10,186,315**	**10,186,315**	33,358,022	33,358,022

As at 31 December 2023 and 31 December 2022, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2023 and 31 December 2022, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the year ended 31 December 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB204 million (for the year ended 31 December 2022: RMB205 million).

As at 31 December 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB48,907 million (for the year ended 31 December 2022: RMB48,231 million).

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2023

For the year ended 31 December 2023, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December was RMB1,758 million (for the year ended 31 December 2022: RMB3,213 million).

42. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2023**	31 December 2022
Assets			
Cash and deposits with the central bank		**22,197,802**	16,893,166
Deposits with banks and other financial institutions		**2,307,332**	1,716,390
Placements with banks and other financial institutions		**13,674,444**	1,573,798
Financial assets held under resale agreements		**41,514,880**	28,141,001
Loans and advances to customers		**185,440,216**	180,751,245
Financial investments:			
Financial investments at fair value through profit or loss		**11,731,796**	35,522,181
Financial investments at fair value through other comprehensive income		**4,807,100**	4,135,400
Financial investments at amortised cost		**74,276,507**	62,596,056
Interest in an associate		**343,551**	331,408
Investment in a subsidiary	*21*	**25,500**	25,500
Property and equipment		**1,306,241**	1,319,598
Deferred tax assets		**2,077,218**	1,773,149
Other assets		**1,340,990**	1,351,800
Total assets		**361,043,577**	336,130,692

	31 December 2023	31 December 2022
Liabilities and equity		
Liabilities		
Borrowing from the central bank	**1,712,932**	2,857,757
Deposits from banks and other financial institutions	**540,630**	615,845
Financial assets sold under repurchase agreements	**22,078,689**	20,215,517
Deposits from customers	**287,525,373**	253,024,238
Income tax payable	**319,496**	149,077
Debt securities issued	**21,825,891**	33,534,258
Other liabilities	**2,235,299**	2,392,714
Total liabilities	**336,238,310**	312,789,406
Equity		
Share capital	**5,838,650**	5,838,650
Capital reserve	**6,627,602**	6,627,602
Surplus reserve	**4,361,372**	3,976,682
General reserve	**4,218,230**	3,732,265
Fair value reserve	**(42,580)**	(97,869)
Impairment reserve	**3,462**	14,994
Deficit on remeasurement of net defined benefit liability	**(5,340)**	(4,065)
Retained earnings	**3,803,871**	3,253,027
Total equity	**24,805,267**	23,341,286
Total liabilities and equity	**361,043,577**	336,130,692

Approved and authorised for issue by the Board of Directors on 28 March 2024.

Hao Qiang	**Zhang Yunfei**	**Zhao Jiquan**	
Chairwoman of the Board	*Executive Director*	*Officer in charge of Finance*	(Company chop)

43. SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to the end of the reporting period and up to the date of approval of this Financial Statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements and is included herein for the purpose of providing information only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

(a) Liquidity coverage ratio

	31 December 2023	**Average for the year ended 31 December 2023**
Liquidity coverage ratio (RMB and foreign currencies)	**242.06%**	**231.61%**

	31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currencies)	208.87%	216.69%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, the minimum regulatory requirement of liquidity coverage ratio is 100%.

(b) Leverage ratio

	31 December 2023	31 December 2022
Leverage ratio	**5.92%**	6.02%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which was effective and applicable during the Reporting Period, leverage ratio shall be no less than 4%.

(c) Net stable funding ratio

	31 December 2023	30 September 2023	31 December 2022
Net stable funding ratio	**126.76%**	121.09%	128.32%
Stable funds available	**231,274,613**	223,957,591	208,056,120
Stable funding required	**182,449,447**	184,946,566	162,134,560

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 CURRENCY CONCENTRATIONS

	31 December 2023			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**36,936**	**2,403**	**171**	**39,510**
Spot liabilities	**(36,233)**	**(53)**	**(184)**	**(36,470)**
Net position	**703**	**2,350**	**(13)**	**3,040**

	31 December 2022			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	36,249	2,369	156	38,774
Spot liabilities	(35,579)	(52)	(170)	(35,801)
Net position	670	2,317	(14)	2,973

As at 31 December 2023, the Group's structural position was RMB35 million (31 December 2022: RMB35 million).

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Chinese mainland, and regards all claims on third parties outside Chinese mainland as international claims.

International claims only include deposits from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2023		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**2,337**	**–**	**2,337**
Europe	**86**	**–**	**86**
Total	**2,423**	**–**	**2,423**

	31 December 2022		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,886	–	1,886
Europe	79	–	79
Total	1,965	–	1,965

4 GROSS AMOUNTS OF OVERDUE LOANS AND ADVANCES

	31 December 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**115,612**	125,067
– between 6 months and 1 year (inclusive)	**211,765**	754,938
– between 1 year and 3 years (inclusive)	**2,363,536**	1,792,186
– over 3 years	**349,148**	231,831
Total	**3,040,061**	2,904,022
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.06%**	0.07%
– between 6 months and 1 year (inclusive)	**0.11%**	0.41%
– between 1 year and 3 years (inclusive)	**1.23%**	0.96%
– over 3 years	**0.18%**	0.12%
Total	**1.58%**	1.56%

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com). The 2023 annual report prepared in accordance with IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com).

This annual results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
LI Yanbin
Joint Company Secretary

Taiyuan, March 28, 2024

As at the date of this announcement, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as the executive Directors; Mr. LI Shishan, Mr. MA Hongchao, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as the non-executive Directors; and Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as *the independent non-executive Directors.*

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