



东莞农村商业银行股份有限公司
Dongguan Rural Commercial Bank Co., Ltd.

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

Stock Code: 9889

INTERIM REPORT 2024



Contents

Important Notice		2
Definitions		5
Chapter I	Company Profile and Business Overview	10
Chapter II	Accounting Data and Financial Indicators Highlights	16
Chapter III	Management Discussion and Analysis	22
	I. OPERATION OVERVIEW	23
	II. KEY OPERATING DATA DURING THE REPORTING PERIOD	23
	III. BUSINESS OPERATION	57
	IV. RISK MANAGEMENT	61
	V. FUTURE OPERATING PROSPECT	72
Chapter IV	Changes in Share Capital and Information on Shareholders	73
Chapter V	Corporate Governance	83
Chapter VI	Other Matters	100
Chapter VII	Financial Report	103

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

Important Notice



The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and senior management of the Bank confirm the truthfulness, accuracy and completeness of the contents of this Interim Report and that there are no false representations, misleading statements or material omissions, and severally and jointly assume liability for the information hereof.

On 29 August 2024, the third meeting of the fifth session of the Board of Directors of the Bank was held at the conference room of Dongguan Rural Commercial Bank Building. It considered and approved the Motion on Approving the 2024 Interim Report of Dongguan Rural Commercial Bank Co., Ltd. 13 Directors were eligible to attend the meeting and 13 were present in person. 12 Supervisors attended the meeting. The convening of the meeting is in compliance with relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd.. This Interim Report was considered and approved by the Audit Committee of the Board of Directors of the Bank.

The 2024 Interim Financial Report of the Bank prepared in accordance with the International Financial Reporting Standards was unaudited, but has been reviewed by KPMG in accordance with the International Standard on Review Engagements.

Mr. Lu Guofeng, the legal representative and chairman of the Bank, Mr. Fu Qiang, the president, Mr. Zhong Guobo, the person-in-charge of accounting, and Ms. Zhong Xuemei, the head of the accounting department, declare and assure the truthfulness, accuracy, and completeness of the financial reports in this Report.

As resolved at the 2023 annual general meeting held on 30 May 2024, the Bank distributed a dividend of RMB0.265 (tax inclusive) per share for the year ended 31 December 2023, with a total amount of RMB1,825 million (tax inclusive). The Bank did not make profit distribution or transfer capital reserve into share capital for the interim period of 2024.

The forward-looking statements included in this Report are based on current plans, estimates and projections. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, the Board of Directors gives no assurance that these expectations will be realized or proved to be correct and these statements should not be considered as commitment of the Group. Investors and persons concerned should be fully aware of the risks and understand the difference among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risks that would adversely affect its future development strategies and business targets. Details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. Please refer to the information in the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

Under different circumstances, this Report discloses relevant information on the Group basis or at the level of the Bank only. Therefore, there exists inconsistency between the data of the "Group" and the "Bank" and such inconsistency is not due to data error, but due to the difference in the scope of the data. Unless otherwise specified, the financial information set out in this Report represents the consolidated data from the financial statements of the Bank together with its subsidiaries, namely Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Zhanjiang Rural Commercial Bank Co., Ltd. and Guangdong Chaoyang Rural Commercial Bank Co., Ltd..

Important Notice

There may be discrepancies between the arithmetic sum of certain breakdowns and the corresponding total amount, which is due to rounding rather than data error. To conform with the presentation of the interim financial statements of 2024, the Group has made reclassification adjustments to certain figures for the comparative period.

This Report is prepared in Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Definitions



Definitions

Definitions of commonly used terms in this Report

“Articles of Association” or “Articles” or “Articles of Association of the Bank”	unless otherwise indicated in the context, the articles of association of the Bank currently in force
“Bank” or “our Bank” or “Dongguan Rural Commercial Bank”	Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on 22 December 2009 through restructuring in the PRC with limited liability, and includes its predecessor, branches and sub-branches (for the avoidance of doubt, excluding its subsidiaries)
“Board of Directors”	the board of Directors of our Bank
“Board of Supervisors”	the board of Supervisors of our Bank
“CBIRC”	the former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會); in accordance with the Reform Plan for Party and State Institutions (《黨和國家機構改革方案》) published by the Central Committee of the Communist Party of China and the State Council in March 2023, the National Administration of Financial Regulation was formed on the basis of the CBIRC
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會), which has merged with China Insurance Regulatory Commission to establish the CBIRC in accordance with the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No. 6) (國務院關於機構設置的通知(國發[2018]6號)) issued by the State Council on 24 March 2018
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules, as currently in force
“Director(s)”	the director(s) of our Bank
“Domestic Share(s)”	ordinary share(s) issued by our Bank in the mainland of the PRC
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Dongguan Dalang Dongying County Bank”	Dongguan Dalang Dongying County Bank Co., Ltd. (東莞大朗東盈村鎮銀行股份有限公司), a joint stock company incorporated on 25 June 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Group” or “we” or “us”	the Bank and its subsidiaries
“Guangdong Chaoyang Rural Commercial Bank” or “Guangdong Chaoyang RCB”	Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (廣東潮陽農村商業銀行股份有限公司), a joint stock company incorporated on 27 December 2020 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

“Hezhou Babu Dongying County Bank”	Hezhou Babu Dongying County Bank Co., Ltd. (賀州八步東盈村鎮銀行股份有限公司), a joint stock company incorporated on 8 August 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“High-Quality Development Project”	the strategic deployment of Guangdong Provincial Party Committee on promoting the coordinated development of urban and rural areas in Guangdong Province, that is, taking the 122 counties (cities and districts), 1,609 towns (sub-districts), and 26,500 administrative villages (communities) in the province as the main body to comprehensively promote the high-quality development of counties, towns and villages in the province. By 2025, the system and mechanism for integrated urban-rural development shall be basically in place, county economies shall develop at a faster pace, new type of urbanization and rural revitalization shall be achieved, weak spots shall be basically shored up, and the per capita disposable income gap between urban and rural residents shall be further narrowed. By 2027, the coordinated development of urban and rural areas shall achieve remarkable results, the comprehensive strength of counties shall be significantly enhanced, a number of economically strong counties, economically strong towns, and harmonious villages shall come to the top, the level of infrastructure access between urban and rural areas shall become more balanced, the level of equality of basic public services shall be significantly improved, and the practice of Chinese-style modernization in Guangdong shall make breakthrough progress in counties. Looking forward to 2035, the status and role of counties in the economic and social development of the province will become more prominent, the new type of urbanization will be basically realized, decisive progress will be made in rural revitalization, the development between urban and rural areas will be more coordinated and balanced, more tangible progress will be made in achieving common prosperity, and the urban and rural areas of the province will basically achieve socialist modernization
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	ordinary share(s) issued by our Bank in Hong Kong, the PRC
“H Shareholder(s)”	holder(s) of H Share(s)
“Huizhou Zhongkai Dongying County Bank”	Huizhou Zhongkai Dongying County Bank Co., Ltd. (惠州仲愷東盈村鎮銀行股份有限公司), a joint stock company incorporated on 13 December 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

Definitions

“IFRS”	The International Financial Reporting Standards and International Accounting Standards, which include the related standards, amendments and interpretations issued by the International Accounting Standard Board
“Latest Practicable Date”	29 August 2024, being the latest practicable date prior to the printing of this Report for ascertaining certain data contained herein
“Listing Rules”	unless otherwise indicated in the context, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited currently in force
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix C3 to the Listing Rules
“Non-performing loan(s)” or “NPL(s)”	loans classified as substandard, doubtful and loss under our five-level loan classification system, with reference to the Rules on Risk Classification of Financial Assets of Commercial Banks issued by CBIRC and the PBoC in 2023
“PBoC” or “Central Bank”	The People’s Bank of China, the central bank of the PRC
“Puning Rural Commercial Bank” or “Puning RCB”	Guangdong Puning Rural Commercial Bank Co., Ltd. (廣東普寧農村商業銀行股份有限公司), an institution that the Bank is entrusted by the Dongguan Municipal Government to manage
“Report” or “this Report”	2024 Interim Report of Dongguan Rural Commercial Bank Co., Ltd.
“Reporting Period”	the six months ended 30 June 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sannong”	the Chinese acronym of, collectively, nongye (agriculture), nongcun (rural areas) and nongmin (farmers)
“SFO”	unless otherwise indicated in the context, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) currently in force
“Share(s)”	ordinary share(s) of the Bank, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)

“SME(s)”	collectively, small and micro enterprise(s) by number of employees, operating revenue, total assets and other indicators in accordance with the 2017 Measures for Classification of Large, Medium, the SMEs for the Purpose of Statistics 《統計上大中小微型企業劃分辦法(2017)》 issued by the National Bureau of Statistics of China
“Supervisor(s)”	the supervisor(s) of our Bank
“Yunfu Xinxing Dongying County Bank”	Yunfu Xinxing Dongying County Bank Co., Ltd. (雲浮新興東盈村鎮銀行股份有限公司), a joint stock company incorporated on 23 December 2011 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Zhanjiang Rural Commercial Bank” or “Zhanjiang RCB”	Zhanjiang Rural Commercial Bank Co., Ltd. (湛江農村商業銀行股份有限公司), a joint stock company incorporated on 26 October 2019 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

Chapter I Company Profile and Business Overview



I. GENERAL INFORMATION

Legal Chinese name	東莞農村商業銀行股份有限公司
Abbreviation of Chinese name	東莞農商銀行
Legal English name	Dongguan Rural Commercial Bank Co., Ltd.
Abbreviation of English name	DRC Bank or DRCB
Legal representative	Lu Guofeng
Authorized representatives under the Listing Rules	Ye Jianguang, Wong Wai Chiu
Authorized representative under the Hong Kong Companies Ordinance	Wong Wai Chiu
Secretary to the Board of Directors	Ye Jianguang
Joint company secretaries	Ye Jianguang, Wong Wai Chiu
Registered address	No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC
Postal code	523123
Company's Website	www.drcbank.com
Customer service hotline	(86) 769-961122
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Listed stock exchange	The Stock Exchange of Hong Kong Limited
Stock short name and code	DRCB, 9889.HK
H share registrar	Computershare Hong Kong Investor Services Limited
Domestic share depository	China Securities Depository and Clearing Corporation Limited
Domestic auditor	Pan-China Certified Public Accountants LLP
International auditor	KPMG
PRC legal advisor	C&T Partners
Hong Kong legal advisor	King & Wood Mallesons
Designated information disclosure websites	Website of the Hong Kong Stock Exchange (www.hkexnews.hk) Website of the Bank (www.drcbank.com)
Place for inspection of information disclosure	Office of the Board of Directors of the Bank
Date of establishment as joint stock company	22 December 2009
Registered capital	RMB6,888,545,510
Unified Social Credit Code	914419007829859746
Financial license number	B1054H344190001

II. COMPANY PROFILE

Dongguan Rural Commercial Bank, as an independent legal entity, is a headquarter-level local joint stock commercial bank. Our development history can be traced back to 1952 and our predecessor is Dongguan Rural Credit Cooperatives Association. The Bank completed the reform as a unified legal person in 2005, completed the reform as a joint stock company in 2009, and successfully listed on the Hong Kong Stock Exchange on 29 September 2021 (stock code: 9889.HK), making it the 13th listed rural commercial bank and the 4th H-share listed rural commercial bank in the PRC, and the first listed local legal financial institution in Dongguan. As of 30 June 2024, the total assets of the Group amounted to RMB737,920 million, with the balance of deposits of RMB507,711 million and the balance of loans of RMB379,923 million. The non-performing loan ratio of the Group was 1.59%, representing an increase of 0.36 percentage point as compared with the end of the previous year; the allowance coverage ratio was 224.01%, representing a decrease of 84.29 percentage points over the end of the previous year; the capital adequacy ratio was 16.02%, and the tier-one capital adequacy ratio was 13.86%.

According to the statistics of the journal “The Banker” in 2024, in terms of tier-one capital as of 31 December 2023, the Bank ranked 219th in the global banking industry. The Bank ranked 39th in the “Top 100 Banks in China of 2024” released by the China Banking Association in terms of net core tier-one capital and other statistical indicators as of 31 December 2023. The Bank ranked 1,260th in the list of “2024 Global 2,000 by Forbes”.

As of 30 June 2024, the Bank has established a total of 497 business outlets (including the headquarters), including 39 tier-one branches and sub-branches, 199 tier-two sub-branches and 258 offices, and has provided diverse financial services such as 24/7-hour telephone banking, online banking, mobile banking and WeChat banking.

At the same time, the Bank has further developed into a regional group, established four branches outside Dongguan including Nansha branch in Guangdong Pilot Free Trade Zone, Hengqin branch in Guangdong Pilot Free Trade Zone, Huizhou sub-branch and Qingxin sub-branch, as well as four county banks, namely Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank, Hezhou Babu Dongying County Bank, managed Zhanjiang RCB and Guangdong Chaoyang RCB on a consolidated basis, assisted Dongguan Municipal Government in managing Puning RCB, and invested in Guangdong Shunde Rural Commercial Bank Co., Ltd., Guangdong Xuwen Rural Commercial Bank Co., Ltd., Guangdong Lechang Rural Commercial Bank Co., Ltd. and Ya’an Rural Commercial Bank Co., Ltd., which has preliminarily formed a new regional group development pattern of “One Core with Two Wings” with Dongguan as the center, the Guangdong-Hong Kong-Macao Greater Bay Area as the core, and East Guangdong and West Guangdong as two complements.

Looking to the future, the Bank will continue adhering to the business philosophy of “customer-centric, market-oriented and efficiency-oriented”, serve the real economy, continue to enhance the professional level in financial services, and comprehensively support the high-quality development of local economy.

III. INVESTMENT VALUE AND CORE COMPETITIVENESS

Prosperous operating area, broad market development space. The Group has deeply cultivated the Dongguan market, developed based on the Greater Bay Area, seized the opportunity to develop the two provincial sub-centers in Shantou and Zhanjiang, and stabilized the main structure of “One Core with Two Wings”, with the market share in terms of deposits and loans ranked first in the Dongguan banking industry for years. The economic strength, industrial infrastructure and market vitality of Dongguan and the Guangdong-Hong Kong-Macao Greater Bay Area have laid an important foundation and secured the sustainable development of the Group. The national strategy of “Guangdong-Hong Kong-Macao Greater Bay Area”, the location advantage of “overlapping three districts”⁽¹⁾ and the new urban starting point of “double 10,000 (雙萬)”⁽²⁾ have also provided the Group with new strategic opportunities.

Coordinated development of organization and management, continuous optimization in financial service. The Group effectively leverages the advantages as a regional small and medium sized bank, adheres to flat, professional and market-oriented operation, deepens the internal organizational and systematic reform, and continues to promote empowerment for the grassroots departments. The Group improves the speed of response to customer needs and continuously improves operational efficiency. Adhering to the main responsibility and main business of “supporting agriculture, supporting SMEs and supporting real economy” and focusing on the “High-Quality Development Project” with financial support, the Group exerts its advantages in the outlet network, interpersonal relation and region to fully support the rural area revitalization. We will promote inclusive financial services in depth, support the real economy development with every possible effort.

Solid operation and management and steady progress of smart risk control. The Group adheres to the operating principle of seeking progress while maintaining stability, and emphasizes the mutual promotion and coordinated development of “steady growth” and “risk prevention”. The Group implements the principle of rule-based management and establishes a sound internal control and compliance system, optimizes the risk management mechanism. We enhance the digitalization of risk management, and proactively prevents and mitigates various risks, escorting the sustainable development of business operation.

Technology-driven development, full power acceleration of digital development. The Group has endeavored to build the foundation for the digital transformation with a focus on the implementation of the new-generation core system project. Through the empowerment of financial technology (“fintech”) innovation, the Group continuously improves the top-level design of digital transformation, strengthens the training of fintech talents, establishes digital mindset, reshapes operation mechanism and strengthens data governance. The Group also enhances the organizational coordination capabilities, deepens the implementation of digital application, promotes the close integration of technology and business, strives to create a new model of digital finance, and continuously empowers innovation in financial products and services.

Notes:

- (1) “Overlapping three districts” refers to the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Shenzhen as a pilot demonstration zone for socialism with Chinese characteristics, and the construction of Dongguan as a provincial manufacturing supply-side structural reform and innovation experimental zone.
- (2) “Double 10,000 (雙萬)” refers to a GDP of trillions and a population of 10 million in Dongguan.

Standardized and solid corporate governance with a realistic and pragmatic corporate culture.

The Group has established a sound governance structure of “the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and senior management”, and formed a “diversified interests, coordination and checks and balances” shareholding structure with state-owned, private, foreign, rural collective economic organizations, natural person and employee. The Group creates good corporate culture, adheres to the business philosophy of “customer-centric, market-oriented, and efficiency-oriented”, insists on the enterprise motto of “accompanying, trusting and growing with each other”, and unites the entire Group for coordinated and common development with corporate culture.

IV. HONORS AND AWARDS DURING THE REPORTING PERIOD

2024

January **2023 China Bond Member Business Development Quality Evaluation — Top 100 Proprietary Trading Settlement**

China Central Depository and Clearing Corporation Limited

Bank Card Risk Management Excellence Award in 2023

China UnionPay Company Limited Guangdong Branch

February **Top 20 Enterprises in Dongguan by Principle Operating Income in 2023**

Chinese Communist Party Dongguan Committee, Dongguan Municipal People’s Government

Dongguan City Benefit Contribution Award in 2023

Chinese Communist Party Dongguan Committee, Dongguan Municipal People’s Government

Excellent Green Financial Business Innovation Institution in 2023

Shanghai Clearing House

March **Dongguan’s Party Building Leads New Employment Groups in “Love in Four Seasons” Activity — Charitable Enterprises**

2024

Working Committee on Non-public Sector of the Economy and Social Organizations
under the CPC Dongguan Municipal Committee

**Excellent Unit of Clean Financial Culture Construction in Dongguan Banking
Industry in 2023**

Dongguan Banking Association

Outstanding Contribution Award for Dongguan Banking Industry in 2023

Dongguan Banking Association

**Advanced Unit of Financial Services for New Citizens in Dongguan Banking
Industry in 2023**

Dongguan Banking Association

**The 7th Retail Banking Awards 2023 (2023 RBA) — Top 10 Retail Banking of
Rural Commercial Banks**

Retail Banking (《零售銀行》雜誌)

June **Ranked 1,260th in the 2024 Global 2,000 by Forbes**

Forbes, USA

July **Ranked 219th of the Top 1,000 World Banks in 2024**

The Banker, UK

August **Ranked 39th in the Top 100 Banks in China in 2024**

China Banking Association

Chapter II

Accounting Data and Financial Indicators Highlights



(unit: RMB'000)

Operating results	For the six months ended 30 June		Percentage increase/ (decrease) for the Reporting Period as compared to the same period of the previous year (%)
	2024	2023	
Operating income	6,398,182	7,265,200	(11.93)
Profit before tax	3,457,440	3,998,415	(13.53)
Net profit	3,378,731	3,675,277	(8.07)
Net profit attributable to the shareholders of the Bank	3,169,894	3,582,891	(11.53)

(unit: RMB/share)

Per share	As at 30 June/ for the six months ended 30 June		As at 31 December/ for the year ended 31 December	Percentage increase/ (decrease) for the Reporting Period as compared to the same period of the previous year (%)
	2024	2023	2023	
Net asset per share attributable to the shareholders of the Bank	8.26	7.67	7.93	7.69
Basic earnings per share	0.46	0.52	0.75	(11.54)
Diluted earnings per share	0.46	0.52	0.75	(11.54)

Chapter II Accounting Data and Financial Indicators Highlights

(unit: RMB'000)

Scale indicators	As at 30 June 2024	As at 31 December 2023	Percentage increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	737,920,243	708,853,592	4.10
Including: Gross loans and advances to customers (excluding accrued interest)	379,922,754	355,073,342	7.00
Allowance for expected credit loss/ impairment provision for loans and advances to customers ⁽¹⁾	13,405,590	13,357,114	0.36
Total liabilities	678,010,753	651,365,055	4.09
Including: Total deposits from customers (excluding accrued interest)	507,711,022	487,094,959	4.23
Share capital	6,888,546	6,888,546	—
Shareholders' equity	59,909,490	57,488,537	4.21
Including: Equity attributable to shareholders of the Bank	56,866,494	54,649,387	4.06
Non-controlling interests	3,042,996	2,839,150	7.18

Note:

- (1) Including the expected credit loss allowance on loans and advances to customers measured at amortized costs and the expected credit loss allowance on loans and advances to customers at fair value through other comprehensive income.

(unit: %)

Profitability indicators	For the six months ended 30 June		Percentage point increase/ (decrease) for the Reporting Period as compared to the same period of the previous year
	2024	2023	
Return on average total assets (annualized) ⁽¹⁾	0.93	1.09	(0.16)
Return on average equity (annualized) ⁽²⁾	11.19	13.00	(1.81)
Net interest spread (annualized) ⁽³⁾	1.34	1.68	(0.34)
Net interest margin (annualized) ⁽⁴⁾	1.40	1.73	(0.33)
Cost-to-income ratio ⁽⁵⁾	31.40	28.86	2.54

Notes:

- (1) The annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total assets at the beginning and the end of the period.
- (2) The annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total shareholders' equity at the beginning and the end of the period, which was the closing balance after taking into account the annualized net profit.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost rate of interest-bearing liabilities.
- (4) Calculated by dividing the annualized net interest income for the period by the average balance of total interest-earning assets.
- (5) Calculated by dividing the total operating expenses (excluding tax and surcharges) by total operating income.

Chapter II Accounting Data and Financial Indicators Highlights

(unit: %)

	As at 30 June 2024	As at 31 December 2023	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Capital adequacy indicators⁽¹⁾			
Core tier-one capital adequacy ratio ⁽²⁾	13.83	13.62	0.21
Tier-one capital adequacy ratio ⁽³⁾	13.86	13.65	0.21
Capital adequacy ratio ⁽⁴⁾	16.02	15.85	0.17
Ratio of total equity to total assets	8.12	8.11	0.01

Notes:

- (1) Indicators as at 30 June 2024 were calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) and indicators as at 31 December 2023 were calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The calculation scope of capital adequacy ratio comprises of all branches and financial institution subsidiaries in compliance with the requirements of the Administrative Measures for the Capital of Commercial Banks.
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (3) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (4) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

(unit: %)

Asset quality indicators	As at 30 June 2024	As at 31 December 2023	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Non-performing loan ratio ⁽¹⁾	1.59	1.23	0.36
Allowance coverage ratio ⁽²⁾	224.01	308.30	(84.29)
Allowance to total loan ratio ⁽³⁾	3.57	3.81	(0.24)

Notes:

- (1) Calculated by dividing the total amount of non-performing loan (excluding accrued interest) by total amount of loans (excluding accrued interest), where the loans of Zhanjiang Rural Commercial Bank and Guangdong Chaoyang Rural Commercial Bank, our subsidiaries, were calculated by the original book value instead of fair value on the acquisition date.
- (2) Calculated by dividing the balance of loan impairment provision by total amount of non-performing loans (excluding accrued interest), where the balance of loan impairment provision does not include the balance of loan impairment provision recorded under other comprehensive income and the loans of Zhanjiang Rural Commercial Bank and Guangdong Chaoyang Rural Commercial Bank, our subsidiaries, were calculated by the original book value instead of fair value on the acquisition date.
- (3) Calculated by dividing the balance of loan impairment provision by total amount of loans (excluding accrued interest), where the balance of loan impairment provision does not include the balance of loan impairment provision recorded under other comprehensive income and the loans of Zhanjiang Rural Commercial Bank and Guangdong Chaoyang Rural Commercial Bank, our subsidiaries, were calculated by the original book value instead of fair value on the acquisition date.

(unit: %)

Other indicator	As at 30 June 2024	As at 31 December 2023	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Loan-to-deposit ratio ⁽¹⁾	74.87	72.94	1.93

Note:

- (1) Calculated by dividing total amount of loans to customers (excluding accrued interest) by total deposits from customers (excluding accrued interest), where the deposits and loans of Zhanjiang Rural Commercial Bank and Guangdong Chaoyang Rural Commercial Bank, our subsidiaries, were calculated by the original book value instead of fair value on the acquisition date.

Chapter III Management Discussion and Analysis



I. OPERATION OVERVIEW

In the first half of 2024, based on the business philosophy of “customer-centric, market-oriented and efficiency-oriented”, the Bank, focusing on the “High-Quality Development Project” with financial support, proactively served the national, provincial and municipal high-quality development, strove to enhance the quality and efficiency of services to the real economy, prevented and resolved financial risks, and continuously optimized the mechanism and system, in order to realize the sustainable and coordinated development of its own quality, scale, and efficiency.

In terms of business scale, as of the end of the Reporting Period, the Group’s total assets amounted to RMB737,920 million, representing an increase of RMB29,067 million or 4.10% over the end of the previous year. The balance of deposits amounted to RMB507,711 million, representing an increase of RMB20,616 million or 4.23% over the end of the previous year. The balance of loans amounted to RMB379,923 million, representing an increase of RMB24,849 million or 7.00% over the end of the previous year, achieving steady growth in the scale of assets and liabilities.

In terms of asset quality, as of the end of the Reporting Period, the Group’s non-performing loan ratio was 1.59%; the Group’s capital adequacy ratio and tier-one capital adequacy ratio were 16.02% and 13.86% respectively; and the Group’s allowance coverage ratio was 224.01%, rendering the overall risk stable and controllable.

In terms of operation performance, during the Reporting Period, the Group achieved a profit before provision of RMB4,359 million, representing a year-on-year decrease of RMB782 million, or 15.21%; the net profit was RMB3,379 million, representing a year-on-year decrease of RMB297 million, or 8.07%. The ROA (return on assets) and the ROE (return on equity) were 0.93% and 11.19%, respectively.

II. KEY OPERATING DATA DURING THE REPORTING PERIOD

(I) Income Statement Analysis

During the Reporting Period, the Group achieved operating income of RMB6,398 million, representing a decrease of 11.93% from the same period of the previous year, and realized net profit of RMB3,379 million, representing a decrease of RMB297 million or 8.07% from the same period of the previous year. This was mainly due to the decrease in operating income as compared to the same period of the previous year resulted from factors such as the continuous downward trend of market interest rates and the policy guidance for financial institutions to continue benefiting the real economy.

Chapter III Management Discussion and Analysis

The key items and movements in the Group's income statement are shown in the table below:

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Net interest income	4,703,106	5,360,242	(657,136)	(12.26)
Net non-interest income	1,695,076	1,904,958	(209,882)	(11.02)
Operating income	6,398,182	7,265,200	(867,018)	(11.93)
Operating expense	(2,058,472)	(2,156,532)	98,060	(4.55)
Expected credit losses	(901,221)	(1,141,975)	240,754	(21.08)
Operating profit	3,438,489	3,966,693	(528,204)	(13.32)
Share of profits of associates	18,951	31,722	(12,771)	(40.26)
Profit before tax	3,457,440	3,998,415	(540,975)	(13.53)
Income tax expense	(78,709)	(323,138)	244,429	(75.64)
Net profit	3,378,731	3,675,277	(296,546)	(8.07)
Net profit attributable to the shareholders of the Bank	3,169,894	3,582,891	(412,997)	(11.53)
Net profit attributable to the non-controlling interests	208,837	92,386	116,451	126.05

1. Net interest income

During the Reporting Period, the Group's net interest income amounted to RMB4,703 million, representing a year-on-year decrease of RMB657 million, or 12.26%, mainly due to the dual impact of the Bank's preferential policies to support the real economy and the reduction of LPR (Loan Prime Rate).

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

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Interest income	11,164,440	11,502,213	(337,773)	(2.94)
Interest expense	(6,461,334)	(6,141,971)	(319,363)	5.20
Net interest income	4,703,106	5,360,242	(657,136)	(12.26)

(1) *Net interest spread and net interest margin*

During the Reporting Period, the Group's average yield on interest-earning assets amounted to 3.32%, representing a year-on-year decrease of 0.39 percentage point; the average cost rate of interest-bearing liabilities amounted to 1.98%, representing a year-on-year decrease of 0.05 percentage point; the net interest spread amounted to 1.34%, representing a year-on-year decrease of 0.34 percentage point, and the net interest margin amounted to 1.40%, representing a year-on-year decrease of 0.33 percentage point.

During the Reporting Period, the decrease in the average yield on interest-earning assets of the Group as compared to the same period of the previous year was due to: firstly, loan interest rate being affected by the decline in LPR; secondly, the decline in the yield on bond investment caused by the downward movement of market interest rate.

During the Reporting Period, the decrease in the average cost ratio of interest-bearing liabilities of the Group as compared to the same period of the previous year was due to: firstly the Group's implementation of deposit cost control measures continued to achieve effective results in driving down the deposit cost ratio; secondly, making full use of central monetary support tools to reduce debt costs.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on assets or related average cost rate of liabilities for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest income/expense	Average yield/cost ratio ⁽¹⁾ (%)	Average balance	Interest income/expense	Average yield/cost ratio ⁽¹⁾ (%)
Interest-earning assets						
Loans and advances to customers	368,313,512	7,412,309	4.02	346,511,098	8,029,690	4.63
Financial investments ⁽²⁾	241,019,818	3,213,692	2.67	215,214,367	3,031,236	2.82
Deposits with the central bank	29,926,273	209,801	1.40	31,381,216	218,364	1.39

Chapter III Management Discussion and Analysis

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest income/expense	Average yield/cost ratio ⁽¹⁾ (%)	Average balance	Interest income/expense	Average yield/cost ratio ⁽¹⁾ (%)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	32,788,379	328,638	2.00	27,004,208	222,923	1.65
Total	672,047,982	11,164,440	3.32	620,110,889	11,502,213	3.71
Interest-bearing liabilities						
Deposits from customers	490,802,047	4,504,395	1.84	463,011,624	4,469,946	1.93
Bonds issued	72,091,178	929,542	2.58	72,663,212	907,523	2.50
Borrowings from the central bank	38,513,153	459,546	2.39	24,633,399	308,468	2.50
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	51,885,081	559,102	2.16	44,786,393	446,371	1.99
Leasing liability	490,452	8,749	3.57	439,610	9,663	4.40
Total	653,781,911	6,461,334	1.98	605,534,238	6,141,971	2.03
Net interest income		4,703,106			5,360,242	
Net interest spread⁽³⁾			1.34			1.68
Net interest margin⁽⁴⁾			1.40			1.73

Notes:

- (1) Calculated by dividing the annualized interest income/expense for the period by the average balance.
- (2) Mainly consisted of interest-earning financial investments at amortized cost and financial investments at fair value through other comprehensive income.
- (3) The arithmetic difference between the average yield of all interest-earning assets and the average cost rate of all interest-bearing liabilities.
- (4) Calculated by dividing the annualized net interest income during the period by the average balance of total interest-earning assets.

The following table sets forth the year-on-year changes in the Group's interest income and interest expense due to changes in volume and interest rates:

(unit: RMB'000)

Item	For the six months ended 30 June 2024 VS 2023		
	Increase/(decrease) due to the changes in		Net increase/ (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	505,227	(1,122,608)	(617,381)
Financial investments ⁽⁴⁾	363,463	(181,007)	182,456
Deposits with the central bank ⁽⁵⁾	(10,124)	1,561	(8,563)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	47,749	57,966	105,715
Changes in interest income	906,315	(1,244,088)	(337,773)
Interest-bearing liabilities			
Deposits from customers	268,291	(233,842)	34,449
Bonds issued ⁽⁶⁾	(7,144)	29,163	22,019
Borrowings from the central bank	173,807	(22,729)	151,078
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	70,750	41,981	112,731
Leasing liability	1,118	(2,032)	(914)
Changes in interest expense	506,822	(187,459)	319,363
Changes in net interest income	399,493	(1,056,629)	(657,136)

Notes:

- (1) Represents the average balance of this period less the average balance of the previous period, multiplied by the average yield/cost rate of the previous period.
- (2) Represents the average yield/cost rate of the period minus average yield/cost rate of the previous period, multiplied by the average balance of the period.
- (3) Represents interest income/expense of the period minus interest income/expense of the previous period.
- (4) Mainly consisted of interest-earning financial investments at amortized cost and financial investments at fair value through other comprehensive income.
- (5) Mainly consisted of statutory deposit reserves and surplus deposit reserves.
- (6) Mainly consisted of interbank certificates of deposits, tier-two capital bonds, green financial bonds, Sannong financial bonds, SME financial bonds and fix-rated financial bonds, etc.

Chapter III Management Discussion and Analysis

(2) Interest income

During the Reporting Period, the interest income of the Group was RMB11,164 million, representing a year-on-year decrease of RMB338 million or 2.94%. The following table sets forth the composition, percentage and average yield of the Group's interest income for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Amount	Percentage of total (%)	Average yield (%)	Amount	Percentage of total (%)	Average yield (%)
Loans and advances to customers	7,412,309	66.39	4.02	8,029,690	69.81	4.63
Financial investments	3,213,692	28.79	2.67	3,031,236	26.35	2.82
Deposits with the central bank	209,801	1.88	1.40	218,364	1.90	1.39
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	328,638	2.94	2.00	222,923	1.94	1.65
Total interest income	11,164,440	100.00	3.32	11,502,213	100.00	3.71

(i) Interest income from loans and advances to customers

Interest income from loans and advances to customers of the Group accounted for 66.39% and 69.81% of total interest income for the six months ended 30 June 2024 and 2023, respectively. The following table sets forth the average balance, interest income and average yield for each component of the Group's loans and advances to customers for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	209,703,491	4,539,854	4.33	231,231,744	5,708,808	4.94
Personal loans and advances	124,758,834	2,671,090	4.28	81,754,399	2,049,986	5.01
Discounted bills	33,851,187	201,365	1.19	33,524,955	270,896	1.62
Total	368,313,512	7,412,309	4.02	346,511,098	8,029,690	4.63

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB7,412 million, representing a decrease of RMB617 million or 7.69% as compared with the corresponding period last year. The decrease in the interest income was mainly due to the decrease in loan yields.

(ii) Financial investment interest income

For the six months ended 30 June 2024 and 2023, financial investment interest income of the Group accounted for 28.79% and 26.35% of total interest income, respectively. The majority of interest income from financial investments is derived from interest income from bond investment.

During the Reporting Period, the Group achieved interest income from financial investments of RMB3,214 million, representing an increase of RMB182 million or 6.02% as compared with the corresponding period of the previous year. The increase in investment scale was the main reason for the increase in interest income. The average balance of financial investment increased by RMB25,805 million as compared with the same period of the previous year, mainly due to the increase in the size of financial investments at market timing according to the change of market condition.

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

The average balance, interest income and average yield of each component of the Group's financial assets held under resale agreements and deposits and placements with banks and other financial institutions are as follows:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets held under resale agreements	15,540,874	146,936	1.89	14,400,300	123,383	1.71
Deposits and placements with banks and other financial institutions	17,247,505	181,702	2.11	12,603,908	99,540	1.58
Total	32,788,379	328,638	2.00	27,004,208	222,923	1.65

During the Reporting Period, interest income from financial assets held under resale agreements and deposits and placements with banks and other financial institutions amounted to RMB329 million, representing an increase of RMB106 million or 47.42% as compared with the corresponding period of the previous year, due to: first, the increase in the size of financial assets held under resale agreements, deposits and placements with banks and other financial institutions at market timing; second, the increase in market interest rate on financial assets held under resale agreements compared with the same period of last year, and an increase in average yields accordingly.

Chapter III Management Discussion and Analysis

(3) Interest expense

During the Reporting Period, interest expense of the Group amounted to RMB6,461 million, representing a year-on-year increase of RMB319 million or 5.20%. The following table sets forth the composition, percentage and average cost ratio of the Group's interest expense for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Amount	Percentage of total (%)	Average cost rate (%)	Amount	Percentage of total (%)	Average cost rate (%)
Deposits from customers	4,504,395	69.71	1.84	4,469,946	72.78	1.93
Bonds issued	929,542	14.39	2.58	907,523	14.78	2.50
Borrowings from the central bank	459,546	7.11	2.39	308,468	5.02	2.50
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	559,102	8.65	2.16	446,371	7.27	1.99
Leasing liabilities	8,749	0.14	3.57	9,663	0.15	4.40
Total interest expense	6,461,334	100.00	1.98	6,141,971	100.00	2.03

(i) Interest expense on customer deposits

For the six months ended 30 June 2024 and 2023, interest expenses on customer deposits accounted for 69.71% and 72.78% of total interest expenses, respectively.

The following table sets forth the average balance, interest expense and average cost rate of each component of the Group's customer deposits during the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	87,170,573	335,778	0.77	99,423,688	493,968	0.99
Time	105,341,753	1,615,132	3.07	86,657,717	1,471,407	3.40
Sub-total	192,512,326	1,950,910	2.03	186,081,405	1,965,375	2.11
Personal deposits						
Demand	115,052,197	194,140	0.34	118,228,820	304,913	0.52
Time	183,237,524	2,359,345	2.58	158,701,399	2,199,658	2.77
Sub-total	298,289,721	2,553,485	1.71	276,930,219	2,504,571	1.81
Total	490,802,047	4,504,395	1.84	463,011,624	4,469,946	1.93

During the Reporting Period, the Group's interest expense on customer deposits was RMB4,504 million, representing an increase of RMB34 million or 0.77% year on year. The increase in interest expense on customer deposits was primarily due to the growth of deposits.

(ii) Interest expense on bonds issued

During the Reporting Period, the Group's interest expense on bonds issued was RMB930 million, with a year-on-year increase of RMB22 million, mainly due to the increase in cost ratio of 0.08 percentage point as compared with the same period of the last year, and the reason for the increase in cost rate was the increase in interest expenses and a slight increase in cost rate as a result of the continuous increase in the issuance interest rate of the interbank certificates of deposits issued in the second half of last year.

(iii) Interest expense on borrowings from the central bank

During the Reporting Period, the Group's interest expense on borrowings from the central bank amounted to RMB460 million, representing a year-on-year increase of RMB151 million or 48.98%. This was mainly because the Bank increased the scale of reloan and MLF, and increased scale of borrowings from the central bank compared with the same period of the last year.

Chapter III Management Discussion and Analysis

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

The average balance, interest expense and average cost ratio of each component of the Group's financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions are set out below:

(unit: RMB'000)

Item	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Financial assets sold under repurchase agreements	22,202,335	210,366	1.89	26,402,252	240,175	1.82
Deposits and placements from banks and other financial institutions	29,682,746	348,736	2.35	18,384,141	206,196	2.24
Total	51,885,081	559,102	2.16	44,786,393	446,371	1.99

During the Reporting Period, the Group's interest expenses on financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions amounted to RMB559 million, with a year-on-year increase of RMB113 million, or 25.26%, which was mainly attributable to the Bank increased transaction scale of placements from banks, and increased the scale of deposits from banks and other financial institutions.

2. Net non-interest income

During the Reporting Period, the Group's net non-interest income amounted to RMB1,695 million, representing a year-on-year decrease of RMB210 million, or 11.02%. The following table sets forth the composition and proportion of non-interest income of the Group for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Net fee and commission income	281,449	448,527	(167,078)	(37.25)
Net trading gains	848,537	623,612	224,925	36.07
Net gains on financial instruments	509,945	740,365	(230,420)	(31.12)
Other operating income	55,145	92,454	(37,309)	(40.35)
Total	1,695,076	1,904,958	(209,882)	(11.02)

(1) *Net fee and commission income*

During the Reporting Period, the Group's net fee and commission income amounted to RMB281 million, with a decrease of RMB167 million year on year, which was mainly due to the overall decline in the income of insurance products.

The Group's net fee and commission income is as follows:

(unit: RMB'000)

Item	For the six months ended 30 June			
	2024		2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Fee income from settlement business	30,951	11.00	25,213	5.62
Bank card fee income	101,986	36.24	97,082	21.64
Fee income from trust and other fiduciary activities	104,103	36.99	221,577	49.40
Income from wealth management business	150,654	53.53	151,043	33.68
Income from other businesses	43,904	15.60	58,557	13.06
Fee and commission income	431,598	153.36	553,472	123.40
Fee and commission expense	(150,149)	(53.36)	(104,945)	(23.40)
Net fee and commission income	281,449	100.00	448,527	100.00

(2) *Net trading gains*

During the Reporting Period, the Group's net trading gains amounted to RMB849 million, representing a year-on-year increase of RMB225 million, which was mainly due to the decrease in market interest rates, and increase in changes in fair value of financial assets through profit and loss.

(3) *Net gains on financial instruments*

During the Reporting Period, the Group's net gains on financial instruments amounted to RMB510 million, representing a year-on-year decrease of RMB230 million, mainly due to the decrease of investment return in asset management plans.

(4) *Other operating income*

During the Reporting Period, other operating income of the Group amounted to RMB55 million, representing a year-on-year decrease of RMB37 million, which was mainly due to the adjustment of the incentive funding support proportion of inclusive small and micro loan support tools from 2% to 1% from the third quarter of 2023 to the end of 2024 according to the "Notice on Extending the Term of Inclusive Small and Micro Loan Support Tools (《關於延長普惠小微貸款支持工具期限的通知》)" (Yin Ban Fa [2023] No. 78) issued by the General Office of the People's Bank of China, that is, 1% incentive funding support proportion was implemented in the first half of 2024, 2% incentive funding support proportion was implemented in the first half of 2023 and the revenue from inclusive small and micro enterprises support tools was decreased.

3. Operating expenses

During the Reporting Period, the Group's operating expenses amounted to RMB2,058 million, representing a year-on-year decrease of RMB98 million or 4.55%. The decrease in operating expenses was mainly due to the decrease in staff costs.

The following table sets forth the main components of the Group's operating expenses for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Staff costs	1,457,367	1,565,017	(107,650)	(6.88)
Taxes and surcharges	49,750	59,677	(9,927)	(16.63)
General and administrative expenses	340,261	312,394	27,867	8.92
Depreciation and amortization	208,427	217,063	(8,636)	(3.98)
Others	2,667	2,381	286	12.01
Total	2,058,472	2,156,532	(98,060)	(4.55)

(1) Staff costs

Staff costs is the largest component of the Group's operating expenses, accounting for 70.80% and 72.57% of the operating expenses in the first half of 2024 and 2023, respectively.

The following table sets forth the main components of the Group's staff costs for the periods indicated:

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Salaries, bonuses, allowances and subsidies	1,052,670	1,119,709	(67,039)	(5.99)
Pension and other social benefits	321,391	362,646	(41,255)	(11.38)
Enterprise annuity scheme	62,276	60,355	1,921	3.18
Others	21,030	22,307	(1,277)	(5.72)
Total	1,457,367	1,565,017	(107,650)	(6.88)

During the Reporting Period, the Group's staff costs amounted to RMB1,457 million, representing a year-on-year decrease of RMB108 million or 6.88%.

(2) *Depreciation and amortization*

During the Reporting Period, the Group's depreciation and amortization amounted to RMB208 million, representing a year-on-year decrease of RMB9 million, which remained basically unchanged.

4. Expected credit losses

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Loans and advances to customers	899,360	1,098,542	(199,182)	(18.13)
Financial investments	(26,184)	31,545	(57,729)	(183.01)
Loan commitments and guarantee contracts	(36,809)	19,105	(55,914)	(292.67)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	(2,607)	(4,206)	1,599	(38.02)
Other assets	67,461	(3,011)	70,472	(2,340.48)
Total	901,221	1,141,975	(240,754)	(21.08)

(1) *Loans and advances to customers*

During the Reporting Period, the Group recorded a credit impairment loss of RMB899 million on loans and advances to customers. During the Reporting Period, on the basis of the expected credit loss model, the Group made adequate provision for expected credit losses on customer loans and advances based on quantitative risk parameters such as the probability of default of borrowers and loss given default combined with macro-forward-looking adjustments.

(2) *Financial investments*

During the Reporting Period, the Group reversed a credit impairment loss of RMB26 million on financial investments, representing a decrease of RMB58 million compared with the same period last year, mainly because the investment structure of the Group's financial assets was generally stable and the proportion of low-credit risk bonds continued to increase.

5. Income tax expense

During the Reporting Period, the Group's income tax expense amounted to RMB79 million, representing a year-on-year decrease of RMB244 million or 75.64%. The effective income tax rate was 2.28%, representing a decrease as compared to the corresponding period of the previous year, mainly due to the increase in the proportion of tax-exempt income.

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Current income tax expense	94,925	498,662	(403,737)	(80.96)
Deferred income tax expense	(16,216)	(175,524)	159,308	(90.76)
Total	78,709	323,138	(244,429)	(75.64)

(II) Balance Sheet Analysis

1. Assets

As of the end of the Reporting Period, the Group's total assets amounted to RMB737,920 million, representing an increase of RMB29,067 million or 4.10%, as compared with the end of the previous year, which was mainly because the growth of loans and financial investments led to the growth of total assets scale.

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

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Net loans and advances to customers	367,238,218	49.77	342,511,915	48.32
Cash and balances with Central Bank	37,139,581	5.03	36,935,315	5.21
Financial investments ⁽¹⁾	304,561,304	41.27	301,218,535	42.49
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,054,652	2.45	17,566,453	2.48
Investment in associates	638,963	0.09	633,467	0.09
Goodwill	520,521	0.07	520,521	0.07
Property and equipment	2,317,524	0.31	2,307,417	0.33
Right-of-use assets	972,872	0.13	992,821	0.14
Deferred tax assets	4,419,221	0.60	4,710,374	0.66
Others ⁽²⁾	2,057,387	0.28	1,456,774	0.21
Total assets	737,920,243	100.00	708,853,592	100.00

Notes:

- (1) Financial investments include bonds, funds, beneficiary rights of credit assets, and unlisted equity investments.
- (2) Consisted of derivative financial assets, prepayments to suppliers, long-term deferred expenses, foreclosed assets, R&D expenses, clearing and settlement, and precious metal, etc.

(1) *Loans and advances to customers*

As of the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB367,238 million, representing an increase of RMB24,726 million or 7.22% compared with the end of last year.

(unit: RMB'000)

	As at 30 June 2024	As at 31 December 2023	Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
Total loans and advances to customers	379,922,754	355,073,342	24,849,412	7.00
Add: accrued interest	654,312	730,437	(76,125)	(10.42)
Less: provision for expected credit loss ⁽¹⁾	13,338,848	13,291,864	46,984	0.35
Net loans and advances to customers	367,238,218	342,511,915	24,726,303	7.22

Note:

- (1) Excluding the provision for impairment of bills rediscounted and forfeiting, which are included in other comprehensive income.

The Group's loans and advances to customers mainly consisted of corporate loans, personal loans and discounted bills. For details of the Group's loans and advances to customers, please refer to the section "Loan Quality Analysis" in this chapter of this Report.

(2) *Financial assets held under resale agreements and deposits and placements with banks and other financial institutions*

As of the end of the Reporting Period, the Group's financial assets held under resale agreements, deposits and placements with banks and other financial institutions amounted to RMB18,055 million, representing an increase of 2.78% as compared to the end of the previous year, which was mainly due to the increase in the financial assets held under resale agreements, placements with domestic banks and other financial institutions as required by liquidity management.

Chapter III Management Discussion and Analysis

Details of the Group's financial assets held under resale agreements, deposits and placements with banks and other financial institutions are set out below:

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits with domestic banks and other financial institutions	2,906,017	16.07	4,169,735	23.70
Deposits with overseas banks and other financial institutions	1,356,685	7.50	1,235,082	7.02
Placements with domestic banks and other financial institutions	11,988,792	66.30	10,850,000	61.66
Financial assets held under resale agreements	1,831,215	10.13	1,340,450	7.62
Sub-total	18,082,709	100.00	17,595,267	100.00
Add: accrued interest	18,036	—	19,859	—
Less: impairment allowance	46,093	—	48,673	—
Total	18,054,652	—	17,566,453	—

(3) Financial investments

As of the end of the Reporting Period, the Group's financial investments mainly include bonds, beneficiary rights of credit assets, funds and unlisted equity investments. The total financial investments of the Group amounted to RMB304,561 million, representing an increase of RMB3,343 million, or 1.11% compared with the end of the previous year.

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

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial investments at fair value through profit and loss	50,569,435	16.60	52,836,715	17.54
Financial investments at amortized cost	127,913,456	42.00	137,226,078	45.56
Financial investments at fair value through other comprehensive income	126,078,413	41.40	111,155,742	36.90
Total	304,561,304	100.00	301,218,535	100.00

Among them, the distribution of the types and amounts of bonds held by the Group as of the end of the Reporting Period was as follows:

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Bonds issued by the central and local governments	216,673,967	79.24	214,220,194	79.62
Bonds issued by financial institutions	53,430,198	19.54	51,275,690	19.06
Bonds issued by enterprises	972,761	0.36	1,460,959	0.54
Interbank certificates of deposits	2,377,242	0.86	2,083,534	0.78
Total	273,454,168	100.00	269,040,377	100.00

In particular, the top ten bonds (based on nominal value) held by the Group are as follows:

(unit: RMB'000)

Name of bonds	Nominal value	Maturity date
21 Interest-bearing Treasury Bond 02	9,280,000	2026/3/11
21 Interest-bearing Treasury Bond 09	6,400,000	2031/5/27
20 Interest-bearing Treasury Bond 13	4,110,000	2025/10/22
23 Interest-bearing Treasury Bond 22	3,970,800	2028/10/15
24 Discounted Treasury Bond 33	3,907,103	2024/9/10
24 Discounted Treasury Bond 35	3,617,404	2024/9/23
23 Interest-bearing Treasury Bond 16	3,370,000	2024/7/25
24 Discounted Treasury Bond 22	3,289,044	2024/7/22
23 Interest-bearing Treasury Bond 25	2,830,000	2026/11/15
21 Chongqing Bond 03	2,650,000	2026/4/9

2. Liabilities

As of the end of the Reporting Period, the Group's total liabilities amounted to RMB678,011 million, representing an increase of RMB26,646 million or 4.09% as compared to the end of the previous year, which was mainly attributable to the increase in scale of liabilities driven by the increase of deposits from customers.

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

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from customers	516,393,170	76.16	495,743,888	76.11
Bonds issued	79,613,835	11.74	71,831,971	11.03
Borrowings from the central bank	38,218,392	5.64	38,479,208	5.91
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	34,978,027	5.16	39,403,137	6.05
Leasing liabilities	496,147	0.07	514,609	0.08
Financial liabilities at fair value through profit or loss	2,532,537	0.37	1,325,544	0.20
Taxes payable	318,626	0.05	304,574	0.05
Other liabilities ⁽¹⁾	5,460,019	0.81	3,762,124	0.57
Total liabilities	678,010,753	100.00	651,365,055	100.00

Note:

- (1) Mainly consisted of derivative financial liabilities, salaries payable and dividends payable.

(1) *Deposits from customers*

The following table sets forth the Group's deposits from customers by product category as at the dates indicated:

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits				
— Demand	90,739,838	17.87	91,495,874	18.78
— Time	102,240,511	20.14	95,239,526	19.55
Sub-total	192,980,349	38.01	186,735,400	38.33
Personal deposits				
— Demand	117,080,253	23.06	117,515,687	24.13
— Time	189,870,506	37.40	173,408,108	35.60
Sub-total	306,950,759	60.46	290,923,795	59.73
Other deposits⁽¹⁾	7,779,914	1.53	9,435,764	1.94
Principal of customer deposits in total	507,711,022	100.00	487,094,959	100.00
Add: accrued interest	8,682,148	—	8,648,929	—
Total deposits from customers	516,393,170	—	495,743,888	—

Note:

(1) Consisted of remittance outstanding, margin deposit and national treasury fixed deposits, etc.

As of the end of the Reporting Period, in respect of the structure of deposits from customers of the Group, personal deposits accounted for 60.46%, and its balance increased by RMB16,027 million or 5.51% as compared to the end of the previous year; and corporate deposits accounted for 38.01%, with its balance increased by RMB6,245 million or 3.34% as compared to the end of the previous year. In terms of maturity structure, demand deposits accounted for 40.93%, representing a decrease of 1.98 percentage points as compared to the end of the previous year; and time deposits accounted for 57.54%, representing an increase of 2.39 percentage points as compared to the end of the previous year.

Chapter III Management Discussion and Analysis

(2) *Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions*

As of the end of the Reporting Period, the Group's financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions amounted to RMB34,978 million, representing a decrease of RMB4,425 million or 11.23% as compared to the end of last year, which was mainly attributable to an increase of scale in borrowings from the central bank to replace sold under repurchase agreements leading to a substantial reduction in transaction scale of sold under repurchase agreements as required by liquidity management.

The breakdown of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions of the Group as at the dates indicated is as follows:

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from domestic banks	13,750,545	39.31	7,108,980	18.04
Deposits from non-banking domestic financial institutions	4,239,314	12.12	3,417,771	8.67
Placements from domestic banks	6,942,085	19.85	3,842,859	9.75
Bonds sold under repurchase agreements	9,309,486	26.62	20,939,027	53.14
Notes sold under repurchase agreements	600,433	1.72	4,009,932	10.18
Sub-total	34,841,863	99.62	39,318,569	99.78
Add: accrued interest	136,164	0.38	84,568	0.22
Total	34,978,027	100.00	39,403,137	100.00

3. Shareholders' equity

As of the end of the Reporting Period, the total shareholders' equity of the Group was RMB59,909 million, representing an increase of RMB2,421 million or 4.21% as compared to the end of the last year, which was mainly due to the increase in undistributed profit.

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

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	6,888,546	11.50	6,888,546	11.98
Capital reserve	6,342,779	10.59	6,342,779	11.03
Surplus reserve	8,829,850	14.74	8,829,850	15.36
General risk reserve	7,422,108	12.39	7,422,108	12.91
Revaluation reserve	1,734,366	2.89	850,285	1.48
Undistributed profit	25,648,845	42.81	24,315,819	42.30
Total equity attributable to shareholders of the Bank	56,866,494	94.92	54,649,387	95.06
Non-controlling interests	3,042,996	5.08	2,839,150	4.94
Total shareholders' equity	59,909,490	100.00	57,488,537	100.00

As of the end of the Reporting Period, the Group had a paid-in capital of RMB6,889 million, capital reserve of RMB6,343 million and undistributed profit of RMB25,649 million.

4. Restrictions on rights to assets as of the end of the Reporting Period

As of the end of the Reporting Period, certain assets of the Group were used as collateral for the repurchase business and the business of borrowings from the central bank. For details of our pledged assets, please refer to Note 39(e) "collateral" to the consolidated financial statements in the "Financial Report" chapter in this Report. The fair value of assets as collateral as at the end of the Reporting Period is broken down as follows:

(unit: RMB'000)

Item	As at 30 June 2024	Reason for restriction
Bonds	9,954,190	Repurchase business
Bills	594,085	Repurchase business
Bonds	45,120,233	Borrowings from the central bank
Loans	3,240,043	Borrowings from the central bank
Bills	411,060	Borrowings from the central bank
Total	59,319,611	

(III) Cash Flow Statement Analysis

During the Reporting Period, the Group's net cash outflow from operating activities amounted to RMB11,759 million, representing a decrease of RMB885 million as compared with the corresponding period of last year, mainly due to the decrease in cash outflow resulting from the decrease in net decrease in financial assets sold under repurchase agreements; Net cash inflow from investing activities amounted to RMB3,605 million, compared with net outflow of RMB5,238 million for the same period last year, mainly because the increase in cash received from financial investments exceeded the increase in cash paid for financial investments; Net cash inflow from financing activities amounted to RMB6,699 million, representing a decrease of RMB7,768 million as compared to the corresponding period of last year, mainly because the increase in cash paid for repayment of bonds issued exceeded the increase in cash received from bonds issued.

(unit: RMB'000)

Item	For the six months ended 30 June		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2024	2023		
Net cash flow from operating activities	(11,758,830)	(12,643,492)	884,662	(7.00)
Net cash flow from investing activities	3,604,903	(5,237,662)	8,842,565	(168.83)
Net cash flow from financing activities	6,699,402	14,467,556	(7,768,154)	(53.69)

(IV) Loan Quality Analysis

During the Reporting Period, the complexity, severity and uncertainty of the external environment were rising, effective demand was insufficient, social expectations were weak, the foundation for economic recovery was not yet solid, enterprises were under great pressure, and the level of credit risk was rising. As of the end of the Reporting Period, the balance of non-performing loans of the Group was RMB5,967 million, representing an increase of RMB1,667 million as compared to the end of last year, and the non-performing loan ratio was 1.59%. The Group continues to strengthen the risk alert, intensify risk identification efforts, proactively manage loans at risk to prevent the migration of non-performing assets. In addition, we have escalated efforts in the collection of non-performing assets, progressing disposal processes through market-oriented means, such as accelerating debt transfers, asset restructuring, and collateral auctions.

1. Loan distribution by five-tier loan classification

(unit: RMB'000)

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	363,867,150	95.76	342,827,012	96.55
Special mention	10,088,529	2.66	7,946,522	2.24
Substandard	2,375,628	0.63	2,596,807	0.73
Doubtful	2,957,421	0.78	1,201,848	0.34
Loss	634,026	0.17	501,153	0.14
Total loans to customers	379,922,754	100.00	355,073,342	100.00
Non-performing loans and Non performing loan ratio⁽¹⁾	5,967,075	1.59	4,299,808	1.23

Note:

- (1) Calculated by dividing the balance of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Guangdong Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as of 31 December 2023 and 30 June 2024, respectively, but not the fair value on the combination date.

As of the end of the Reporting Period, the Group's normal loans amounted to RMB363,867 million, accounting for 95.76% of all loans, representing an increase of RMB21,040 million as compared to the end of last year, which was mainly due to business growth; special mention loans amounted to RMB10,089 million, representing an increase of RMB2,142 million as compared to the end of last year, which was mainly due to adverse changes in the operating conditions of enterprises under the complex and severe external situation causing the emergence of risk factors requiring greater attention.

Chapter III Management Discussion and Analysis

As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB5,967 million, representing an increase of RMB1,667 million as compared to the end of last year, mainly due to the formation of non-performing loans in corporate fixed and working capital loans, personal business and consumption loans, property mortgages and overdue interest on credit card overdrafts. Among them, non-performing loans balance for corporate fixed capital loans increased by RMB782 million as compared to the end of last year, non-performing loans balance for corporate working capital loans increased by RMB456 million as compared to the end of last year, and non-performing loans balance for personal consumption loans increased by RMB207 million as compared to the end of last year.

As of the end of the Reporting Period, the migration ratio of the Group's normal loans was 3.15%, the migration ratio of special mention loans was 57.67%, the migration ratio of substandard loans was 169.08%, and the migration ratio of doubtful loans was 43.12%.

2. Loans and non-performing loans by product type

(unit: RMB'000)

Item	As at 30 June 2024				As at 31 December 2023			
	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽¹⁾ (%)	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽¹⁾ (%)
Corporate loans⁽²⁾								
Working capital loans	86,347,695	22.73	2,774,528	3.31	80,367,985	22.63	2,318,927	2.99
Fixed asset loans	120,416,009	31.69	866,156	0.72	113,973,806	32.10	84,245	0.07
Others	11,400,185	3.00	7,789	0.07	9,507,986	2.67	10,895	0.11
Sub-total	218,163,889	57.42	3,648,473	1.71	203,849,777	57.40	2,414,067	1.23
Personal loans								
Personal business loans	46,500,528	12.24	805,502	1.73	44,272,043	12.47	713,380	1.61
Property mortgage loans	40,337,937	10.62	592,486	1.47	38,863,183	10.95	490,793	1.27
Credit card overdrafts	4,642,357	1.22	237,348	5.11	4,921,478	1.39	205,508	4.18
Personal consumption loans	35,517,874	9.35	683,266	1.92	35,337,953	9.95	476,060	1.35
Sub-total	126,998,696	33.43	2,318,602	1.83	123,394,657	34.76	1,885,741	1.53
Discounted bills⁽³⁾								
Bank acceptance bills	34,760,169	9.15	—	—	27,828,908	7.84	—	—
Trade acceptance draft	—	—	—	—	—	—	—	—
Sub-total	34,760,169	9.15	—	—	27,828,908	7.84	—	—
Total	379,922,754	100.00	5,967,075	1.59	355,073,342	100.00	4,299,808	1.23

Notes:

- (1) Calculated by dividing the balance of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Guangdong Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as of 31 December 2023 and 30 June 2024, respectively, but not the fair value on the combination date.
- (2) The corporate loans included forfeiting.
- (3) Mainly including bill discounted and rediscounted.

As of the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 1.71%, representing an increase of 0.48 percentage point as compared with the end of the previous year, while the non-performing loan ratio of personal loans was 1.83%, representing an increase of 0.30 percentage point as compared with the end of the previous year.

3. Loans and non-performing loans by industry

(unit: RMB'000)

Industry distribution ⁽¹⁾	As at 30 June 2024				As at 31 December 2023			
	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽²⁾ (%)	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽²⁾ (%)
Corporate loans and advances	218,163,889	57.42	3,648,473	1.71	203,849,777	57.40	2,414,067	1.23
Wholesale and retail	35,143,585	9.25	1,182,600	3.37	34,661,797	9.76	1,068,687	3.08
Leasing and commercial services	43,189,828	11.37	450,433	1.17	35,587,754	10.02	93,565	0.42
Manufacturing	61,646,973	16.23	1,209,038	2.01	55,940,714	15.75	1,176,621	2.15
Construction	22,976,092	6.05	15,791	0.07	23,573,369	6.64	1,434	0.01
Real estate	20,235,444	5.33	52	0.00	19,681,277	5.54	66	0.00
Finance	2,878,557	0.76	—	—	5,406,191	1.52	—	—
Production and supply of power, gas and water	6,399,952	1.68	—	—	6,992,548	1.97	—	—
Transportation, logistics and postal services	6,251,776	1.65	14,950	0.24	5,262,213	1.48	—	—
Water, environment and public utilities management	3,074,356	0.81	400	0.01	3,179,212	0.90	42,024	1.32
Health, social security and welfare	2,594,150	0.68	—	—	2,528,785	0.71	—	—

Chapter III Management Discussion and Analysis

Industry distribution ⁽¹⁾	As at 30 June 2024				As at 31 December 2023			
	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽²⁾ (%)	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽²⁾ (%)
Education	3,414,166	0.90	2,077	0.06	3,267,422	0.92	4,187	0.13
Information transmission, software and information technology services	1,377,363	0.36	4,478	0.33	1,016,757	0.29	3,495	0.34
Accommodations and catering industries	3,226,161	0.85	736,599	22.83	3,097,382	0.87	—	—
Agriculture, forestry, animal husbandry and fishery	2,027,794	0.53	2,912	0.14	1,833,173	0.52	15,742	0.86
Residential services and other services	271,850	0.07	—	—	491,097	0.14	7,210	1.46
Culture, sports, and entertainment	161,311	0.04	—	—	141,280	0.04	—	—
Scientific research and technical services, and geological prospecting	3,081,000	0.81	29,143	0.95	1,188,806	0.33	1,036	0.09
Mining	213,531	0.05	—	—	—	—	—	—
Discounted bills	34,760,169	9.15	—	—	27,828,908	7.84	—	—
Personal loans	126,998,696	33.43	2,318,602	1.83	123,394,657	34.76	1,885,741	1.53
Total	379,922,754	100.00	5,967,075	1.59	355,073,342	100.00	4,299,808	1.23

Notes:

- (1) Classified based on the Industrial Classification for National Economic Activities (《國民經濟行業分類》) issued by the Standardization Administration of China on 30 June 2017.
- (2) Calculated by dividing the balance of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Guangdong Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as of 31 December 2023 and 30 June 2024, respectively, but not the fair value on the combination date.

As of the end of the Reporting Period, non-performing loans of the Group's corporate loans were mainly concentrated in manufacturing, wholesale and retail industry, with non-performing loan ratios of 2.01% and 3.37%, respectively. Among them, non-performing loans in the manufacturing industry amounted to RMB1,209 million, representing an increase of RMB32 million as compared to the end of last year, while non-performing loans in the wholesale and retail industry amounted to RMB1,183 million, representing an increase of RMB114 million as compared to the end of last year. The main reason was that the difficulties in the production and operation of individual enterprises have led to the inability to repay principal and interest on time, resulting in non-performing loans.

4. Loans and non-performing loans by types of guarantees

(unit: RMB'000)

Guarantee method	As at 30 June 2024				As at 31 December 2023			
	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽¹⁾ (%)	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio ⁽¹⁾ (%)
Collateralized loans	185,064,362	48.72	3,924,207	2.10	183,143,329	51.58	2,853,774	1.59
Pledged loans	44,726,558	11.77	42,130	0.09	40,106,761	11.30	25,715	0.06
Guaranteed loans	103,572,366	27.26	1,206,615	1.19	94,098,085	26.50	688,771	0.76
Unsecured loans	46,559,468	12.25	794,123	1.90	37,725,167	10.62	731,548	1.94
Total	379,922,754	100.00	5,967,075	1.59	355,073,342	100.00	4,299,808	1.23

Note:

- (1) Calculated by dividing the balance of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Guangdong Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as of 31 December 2023 and 30 June 2024, respectively, but not the fair value on the combination date.

5. Distribution of loans by region

(unit: RMB'000)

Region distribution	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Dongguan	308,871,898	81.30	283,906,297	79.96
Outside Dongguan	71,050,856	18.70	71,167,045	20.04
Total	379,922,754	100.00	355,073,342	100.00

Based on the objective to develop into a banking group, the Group has established its foothold in Dongguan, and radiated the customers of East Guangdong and West Guangdong, as well as the Greater Bay Area. The Group has initially established a development pattern centered on Dongguan and mainly focusing on the Guangdong-Hong Kong-Macao Greater Bay Area. Most of the loans were distributed in Dongguan, with coordinated development in various regions, where loan balance in Dongguan was RMB308,872 million, and loan balance outside Dongguan was RMB71,051 million, with the regional distribution ratio remaining basically unchanged as compared with that at the end of the last year.

6. Loans to top ten single borrowers

As of the end of the Reporting Period, the Group's loan balance to any single borrower did not exceed 10% of the Group's net capital. The following table sets forth the Group's loan balance to the top ten single borrowers (excluding group borrowers) as of the end of the Reporting Period, none of which was non-performing loan.

(unit: RMB'000)

Borrower	Industry	As at 30 June 2024		
		Balance of loans	Percentage of total loans (%)	Percentage of total loans (%)
Customer A	Leasing and commercial services	2,939,000	0.77	4.42
Customer B	Construction	1,784,575	0.47	2.69
Customer C	Leasing and commercial services	1,712,050	0.45	2.58
Customer D	Real estate	1,467,735	0.39	2.21
Customer E	Leasing and commercial services	1,300,000	0.34	1.96
Customer F	Manufacturing	1,280,000	0.34	1.93
Customer G	Leasing and commercial services	1,159,687	0.31	1.75
Customer H	Water, environment and public utilities management	1,113,800	0.29	1.68
Customer I	Real estate	1,068,450	0.28	1.61
Customer J	Leasing and commercial services	1,023,541	0.27	1.54
Total		14,848,838	3.91	22.36

As of the end of the Reporting Period, the total loans to the largest single borrower of the Group was RMB2,939 million, accounting for 4.42% of the net capital of the Group. The total loans to top ten single borrowers was RMB14,849 million, accounting for 22.36% of the net capital of the Group and 3.91% of the total loans of the Group.

The following table sets forth the concentration indicators of the Group during the indicated periods:

Concentration indicators	As at 30 June 2024	As at 31 December 2023	Regulatory requirements
Percentage of loans to the largest single customer to net capital	4.42%	4.60%	10%
Percentage of credits to a single group customer to net capital	7.26%	7.55%	15%
Percentage of loans to top ten customers to net capital	22.36%	23.46%	—

Note: Data as of 31 December 2023 are calculated based on audited data according to regulatory standards; data as of 30 June 2024 are calculated based on reviewed data according to regulatory standards.

As of the end of the Reporting Period, the balance of loans to any single borrower granted by the Bank did not exceed 10% of the net capital of the Bank.

7. Loans overdue

(Unit: RMB'000)

Type	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Current loans	368,208,146	96.74	349,471,874	98.22
Loans past due	12,368,920	3.26	6,331,905	1.78
— Within 3 months	8,013,278	2.11	2,545,000	0.72
— From 3 months to 1 year	3,302,168	0.87	2,716,045	0.76
— More than 1 year to less than 3 years	939,654	0.25	956,170	0.27
— More than 3 years	113,820	0.03	114,690	0.03
Total loans and advances to customers⁽¹⁾	380,577,066	100.00	355,803,779	100.00
Less: allowance for expected credit loss	13,338,848	—	13,291,864	—
Net loans and advances to customers	367,238,218	—	342,511,915	—

Note:

- (1) Total loans and advances to customers represent the credit risk exposure including the loan principal amount and accrued interest balance.

As of the end of the Reporting Period, the balance of overdue customer loan of the Group was RMB12,369 million, accounting for 3.26% of all loans, representing an increase of RMB6,037 million as compared to the end of last year. Among them, the balance of loans past due within 3 months amounted to RMB8,013 million, representing an increase of RMB5,468 million as compared to the end of last year, which was mainly due to borrowers' difficulties to repay principal and interest on time, causing the overdue loans. The balance of loans past due from 3 months to 1 year amounted to RMB3,302 million, representing an increase of RMB586 million as compared to the end of last year, which was mainly due to the increase in the overdue period of individual loan customers as a result of poor business operation. The balance of loans past due for more than 1 year to less than 3 years amounted to RMB940 million, representing a decrease of RMB17 million as compared to the end of last year; the balance of loans past due for more than 3 years amounted to RMB114 million, basically remained the same as last year.

8. Restructured loans

A restructured loan is a loan for which contractual terms have been renegotiated due to changes in the borrower, guarantee, or repayment. During the Reporting Period, the Group's restructured loan accounted for 0.02%, representing an increase of 0.01 percentage point as compared to the end of the previous year.

Chapter III Management Discussion and Analysis

The following table sets forth the balance and proportion of the Group's restructured loans as at the dates indicated:

(Unit: RMB'000)

Type	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Restructured loans	70,000	0.02	33,993	0.01

9. Foreclosed assets

As of the end of the Reporting Period, the Group's foreclosed assets were as follows:

(Unit: RMB'000)

Type	As at 30 June 2024	As at 31 December 2023
Property and equipment	363,050	274,986
Land use rights	107,460	107,461
Subtotal	470,510	382,447
Less: Provision for impairment losses	296,137	296,137
Total	174,373	86,310

10. Disposal of non-performing assets

During the Reporting Period, the complexity, severity and uncertainty of the external environment were rising, effective demand was insufficient, social expectations were weak, the foundation for economic recovery was not yet solid, enterprises were under great pressure, and the level of credit risk was rising. As of the end of the Reporting Period, the balance of non-performing loans of the Group was RMB5,967 million, representing an increase of RMB1,667 million from the end of last year, and the non-performing loan ratio was 1.59%, with a slightly increase of 0.36% from the end of last year. In the first half of 2024, a total of RMB1,754 million of non-performing loans has been resolved, including cash settlement of RMB361 million, debt restructuring of RMB2 million, write-off of bad debts of RMB1,311 million and quality upward adjustment of RMB81 million.

11. Changes in provision for impairment of loans and advances to customers

During the Reporting Period, the Bank made provision for credit losses of RMB899 million, with RMB898 million provided for loans and advances to customers measured at amortized cost, and RMB1 million reversed for loans and advances to customers measured at fair value through other comprehensive income, RMB1,311 million of non-performing loans were written off, while RMB481 million of written-off loans were recovered. As of the end of the Reporting Period, the balance of provision for expected credit losses of loans was RMB13,406 million, of which the balance of impairment on loans and advances to customers measured at amortized cost was RMB13,339 million and the changes in provision for expected credit losses are as follows:

(Unit: RMB'000)

	For the six months ended 30	
	June	
	2024	2023
Balance as at the end of last period	13,291,864	10,919,999
Provision for the period	778,712	1,591,062
Derecognition or settlement for the period	(1,805,995)	(1,514,971)
Write off for the period	(1,310,513)	(380,067)
Re-measurement	2,384,780	1,253,527
Closing balance	13,338,848	11,869,550

In addition, as of the end of the Reporting Period, the balance of provision for expected credit losses of loans and advances to customers measured at fair value through other comprehensive income (bills rediscounted and forfeiting) amounted to RMB67 million.

(V) Capital Management

As of the end of the Reporting Period, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 16.02%, 13.86% and 13.83%, respectively, and the capital adequacy ratios at all levels met regulatory requirements. During the Reporting Period, the retention of profit of the Group maintained steady growth, and achieved endogenous capital growth, and capital adequacy ratio maintained at a robust level.

The Group continued to strengthen its capital management. Firstly, we strengthened our capital planning management and optimized our capital allocation strategy with a capital planning framework, so as to achieve effective transmission from capital planning to capital budgeting and capital allocation. Secondly, we optimized the structure of on-and off-balance sheet asset allocation and gradually enhanced the efficiency of capital utilization. Thirdly, we continued to optimize the capital structure, and broadened the channels of capital supplementation, based on the principle of endogenous accumulation as the main source, supplemented by external sources.

Chapter III Management Discussion and Analysis

1. Capital adequacy ratios analysis

The Group calculates and discloses the capital adequacy ratio in accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (with effect from 1 January 2024) (Indicators as at 31 December 2023 were calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)). The calculation scope of capital adequacy ratio comprises of all branches and financial institution subsidiaries in compliance with the requirements of the Administrative Measures for the Capital of Commercial Banks.

(Unit: RMB'000)

Item	As at 30 June 2024	As at 31 December 2023
Core tier-one capital	57,931,816	55,705,955
Core tier-one capital deductions	615,685	566,833
Net core tier-one capital	57,316,131	55,139,122
Other tier-one capital	142,042	140,876
Net tier-one capital	57,458,173	55,279,998
Tier-two capital	8,961,536	8,874,914
Net capital	66,419,709	64,154,912
Total risk-weighted assets	414,541,731	404,855,812
Including: Credit risk-weighted assets ⁽¹⁾	378,967,305	372,157,822
Market risk-weighted assets ⁽²⁾	12,195,056	8,015,219
Operational risk-weighted assets ⁽³⁾	23,379,370	24,682,771
Core tier-one capital adequacy ratio (%)⁽⁴⁾	13.83	13.62
Tier-one capital adequacy ratio (%)⁽⁵⁾	13.86	13.65
Capital adequacy ratio (%)⁽⁶⁾	16.02	15.85

Notes:

- (1) Credit risk is measured under weighted method.
- (2) Market risk is measured under simplified standardized method (as at 31 December 2023, measured under the standardized method as specified in the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)).
- (3) Operational risk is measured under standardized method (as at 31 December 2023, measured under the basic indicator method as specified in the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)).
- (4) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (5) Calculated by dividing tier-one capital, net of tier-one capital deductions, by total risk-weighted assets.
- (6) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

In accordance with the requirements of the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》), Pillar 3 Information Disclosures Report for the first half of 2024 of the Group will be further disclosed subsequently in the “Investor Relations” — “Information Disclosure” — “Regulatory Capital” section on the Chinese version website of the Bank (www.drcbank.com).

2. Leverage ratio

The leverage ratio was calculated and disclosed by the Group in accordance with the relevant provisions under the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) (Indicators as at 31 December 2023 were calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)).

(Unit: RMB'000)

Item	As at 30 June 2024	As at 31 December 2023
Net tier-one capital	57,458,173	55,279,998
Adjusted balance of on-and off-balance sheet assets ⁽¹⁾	760,849,951	723,689,481
Leverage ratio ⁽¹⁾ (%)	7.55	7.64

Note:

(1) Calculated by dividing the net tier-one capital by the adjusted balance of on-and off-balance sheet assets.

For more details on leverage ratio, please refer to the “Information on Leverage Ratio” in the appendix to the supplementary financial information in the “Financial Report” chapter of this Report.

(VI) Segment Operating Results

Our principal business activities include corporate banking, retail banking and treasury business. The following table sets forth our operating income of principal business segment for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended 30 June			
	2024		2023	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking	3,023,312	47.25	3,869,821	53.27
Retail banking	2,300,473	35.96	2,754,033	37.91
Treasury business	1,189,423	18.59	525,657	7.24
Others	(115,026)	(1.80)	115,689	1.58
Total operating income	6,398,182	100.00	7,265,200	100.00

(VII) Analysis on Off-balance Sheet Items

The Group's off-balance sheet items mainly consisted of letters of credit, issuance of letters of guarantee, acceptance bills and unused limit of credit cards. As of the end of the Reporting Period, the balances of letters of credit, issuance of letters of guarantee, bank acceptance bills and unused limit of credit cards amounted to RMB393 million, RMB3,497 million, RMB8,333 million and RMB8,313 million respectively.

In particular, commitments include financial guarantees and other credit commitments and capital commitments, and the distribution of which is as follows:

1. Financial guarantees and other credit commitments

(Unit: RMB'000)

Item	As at 30 June 2024	As at 31 December 2023	Increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
Letter of credit	393,133	911,310	(56.86)
Letter of guarantee	3,497,249	4,852,527	(27.93)
Bank acceptance bills	8,332,550	9,577,536	(13.00)
Unused limit of credit card	8,313,475	8,563,305	(2.92)
Total	20,536,407	23,904,678	(14.09)

2. Capital commitments

(Unit: RMB'000)

Item	Contract amount at the end of the period	Contract amount at the beginning of the period
Property and equipment	155,095	139,643

As of the end of the Reporting Period, the Group had no major contingent liabilities; there were no major litigation cases in which the Bank or the Bank's subsidiaries were defendants.

For details of off-balance sheet commitments, please refer to Note 39 "Contingent Liabilities and Commitments" to the consolidated financial statements in the "Financial Report" chapter in this Report.

(VIII) Other Financial Information Disclosed in accordance with Regulatory Requirements

1. Contingent liabilities and pledged assets

For details of our contingent liabilities and pledged assets as at the end of the Reporting Period, please refer to Note 39 “Contingent Liabilities and Commitments” to the consolidated financial statements in the “Financial Report” chapter in this Report.

2. Overdue debts

The Group had no overdue debts during the Reporting Period.

3. Analysis of investment

During the Reporting Period, the Bank held the 2023 annual general meeting on 30 May 2024, among others, to consider and approve the mergers by absorption of Huizhou Zhongkai Dongying County Bank and Dongguan Dalang Dongying County Bank. For details, please refer to the circular published by the Bank on 9 May 2024. Save as disclosed in this Report, the Bank had no new investment in equity during the Reporting Period.

4. Disposal of major assets and equity interests

During the Reporting Period, the Bank had no disposals of major assets and equity.

5. Structured entities controlled by the Bank

As of the end of the Reporting Period, the scale of structured entities that the Group have issued, managed and included in the scope of the consolidated financial statements was RMB5,291 million.

III. BUSINESS OPERATION

(I) Five Major Business Sectors

1. Retail finance business

The Bank’s retail finance business focused on customers, combined with the progress of the construction of a linear and ecological organization structure for retail, and with the “High-Quality Development Project” as the main line of work, leveraged its advantages in outlets, channels and customer bases, relied on service modes and service scenarios such as digital transformation of innovative products, channels and teams, promoted the construction of a tiered and categorized service system for retail customers, continued to deepen the retail transformation, and promoted the high-quality development of retail business services. As of the end of the Reporting Period, the Group’s individual deposits balance was RMB306,951 million, representing a year-on-year increase of 5.51%, and the individual loan balance was RMB126,999 million, representing a year-on-year increase of 2.92%.

Chapter III Management Discussion and Analysis

(1) *Wealth management business*

During the Reporting Period, the Bank built up its wealth management business shelves, forming a product hierarchy of basic products, “top-selling” products and featured products to provide customers with more plentiful products in an all-round way.

(2) *Personal credit business*

Personal credit business of the Bank focused on both quantity and quality. Relying on digital transformation, and taking market expansion and risk prevention as the two main measures, we strove to build a credit asset business with excellent products, an active customer base, advanced risk control and a strong team.

(3) *Retail customer base and asset management*

During the Reporting Period, the Bank actively expanded the target customer groups such as village retail customers and new citizen customer groups to inject new vitality into the customer ecosystem; the Bank deeply operated existing retail customers, continued to increase customer stickiness and continuously improved customer contribution by actively innovating products and actively optimizing services. As of the end of the Reporting Period, the number of the Bank’s retail customers reached 20,112,200.

2. **Corporate financial business**

The Bank has been continuing to deepen the innovation of corporate financial services, strengthening the precise services for the real economy and key areas, and driving the overall development of the corporate financial business. As of the end of the Reporting Period, the balance of corporate deposits of the Group achieved RMB192,980 million, representing a year-on-year increase of 3.34%; and the balance of corporate loans (including bills discounted and rediscounted) achieved RMB252,924 million, representing a year-on-year increase of 9.17%.

(1) *Corporate deposit business*

The corporate deposit business of the Bank adhered to the principle of “deposit-based banking”, thoroughly implement the provincial and municipal “High-Quality Development Project” to foster the rural revitalization strategy, and support the construction of beautiful villages, and seized the market opportunities arising from the Dongguan 2024 “Investment Year” and the new industrialization, we comprehensively utilized the “financial + non-financial” services mode to make practical and detailed efforts in customer management, and provide whole-process and comprehensive financial support, so as to create a favorable ecological environment for banks and enterprises to grow together.

(2) *Corporate loan business*

The Bank rooted its corporate loan business locally, actively responded to national policies, focused on Dongguan’s urban characteristics of “technological innovation + advanced manufacturing”, and took the “Financial Support for the ‘High-Quality Development Project’ Initiative” as the main line of work, aiming to strengthen the real economy by focusing on its target customer groups. As of the end of the Reporting Period, the Bank’s loan balance in support of the manufacturing and related industries amounted to RMB68,033 million, representing a year-on-year growth of 12.07%.

(3) *Transactional banking business*

The Bank adhered to a customer-centric and market-oriented approach in transactional banking business, accelerated the integration of technology and business, optimized the transaction banking system through repeated calculations, upgraded numerous business functions and promoted online operation throughout the business process to improve the quality and efficiency of customer services. During the Reporting Period, the Bank's international business settlement volume reaching USD3.91 billion and foreign exchange settlement amounting to USD2.19 billion. The Bank also provided customers in village and communities with the "Easy Village Payment (村繳易)" service of automated rent collection, which covered 536 villages and communities throughout the city, with a cumulative settlement amounting to RMB3,058 million.

3. Small and micro finance business

The Bank implemented the business strategy of "Full Services for All SMEs". With a focus on the theme of high-quality development of SMEs, the Bank made every effort to speed up the pace of digital transformation, optimized the business approval process and created a green financing channel for SMEs. At the same time, the Bank has actively facilitated innovations in small and micro financial services, focused on the major deployment of the Dongguan Municipal Party Committee and Municipal Government in relation to the "High-Quality Development Project", and continuously optimized inclusive grassroots services to effectively enhance the coverage and professionalism of inclusive financial services. The Bank has also fully utilized technological means to build standardized online products, which have significantly improved the efficiency and quality of financial supply to SMEs. As of the end of the Reporting Period, the Group had 31,200 small and micro enterprise customers for loans, and the balance of small and micro enterprise loans (according to the standards of the National Financial Regulatory Administration) reached RMB186,915 million, with a growth rate of 4.92% over the beginning of the year.

4. Interbank financial business

The Bank adhered to the general strategy of "seeking progress while maintaining stability" for the inter-bank financial business. The Bank has combined with the Group's strategic development goals, focused on market trend, proactively responded to emergencies, coordinated and balanced various indicators, tapped into the benefits of diversified products, and continued to improve the risk management and control system and optimize the strategy assist mechanism to enhance the distinctive advantages of the interbank financial business, thus maintaining a stable profitability and continuously increasing its market influence. During the Reporting Period, the online business transaction volume of the Group in the interbank market exceeded RMB5.87 trillion, and market transactions were active.

In terms of interbank business, the Bank conducted in-depth research on the trend of market interest rates, carried out asset allocation at the right time, continuously adjusted and optimized property structure, strengthened the refined management of liabilities, and effectively reduced the cost of liabilities. During the Reporting Period, the Bank's issuance scale of interbank certificates of deposits totaled approximately RMB75.8 billion, and the issuance interest rate was at a relatively better level among banks of the same level.

In terms of intermediary business, the Bank practiced the philosophy of "customer-centric", actively extended its customer chains, continued to explore various customer groups to broaden the coverage of interbank customers, and launched bond underwriting and distribution, securities lending, and foreign exchange on behalf of customers to enhance the depth of business cooperation. During the Reporting Period, the Bank's bond underwriting and distribution scale exceeded RMB72.5 billion.

5. Digital finance business

The Bank deeply grasped the new connotation of digital finance, with the goal of accelerating the creation of “smart digital bank”, integrating digital technology and the real economy, supporting the development of the digital economy, adhering to the strategy of “planning in the whole area, highlighting key points, running in small steps and quickly winning in local areas”, closely linked the overall strategic planning and took the operation as the basis and technology as the means to give full play to the role of the value of data element and digital technology.

Firstly, we built a digital and intelligent operation to optimize customers’ online experience. We vertically built a standardized work system for the whole process of online channels and horizontally constructed a cross-line integrated operation system, so as to comprehensively enhance the Bank’s ability to provide integrated online and offline services. We built a digitalized operation system for online channels step by step, and enhanced the sorting and optimization of customers’ online journeys to upgrade customer experience. We accelerated the application of digital AI and other functions to enhance our operational efficiency and service levels in customer service and other modules.

Secondly, we strengthened data support and enhanced our capability in data governance. We improved the data governance system, promoted the standardization of data and the construction of data asset, and steadily improved data quality and our capability in data governance. We promoted the construction of a middle office system for data, standardized the data operation mechanism, and strengthened the whole life cycle management of data to ensure the safe and efficient operation and application of our data.

Thirdly, we promoted digital empowerment and unleashed the productivity of data elements. We enhanced the professionalism of our data capabilities, strengthened the awareness of all staff in the utilisation of data, and lowered the threshold of our utilisation of data through the application of data tools and products. By integrating internal and external data, the Bank launched data empowerment projects in key areas such as products, marketing, risk control, operation and management, and created a new digital intelligence engine driven by “data + model algorithm”.

(II) Development of financial technology

The Bank actively conducted innovative research on financial technology and deepened the application capabilities of emerging technologies in the areas of smart marketing, smart risk control and smart operation under the mode of “financial technology + business scenario”, so as to empower the innovative development of its businesses. On the one hand, the Bank has further consolidated its technological foundation and provided strong technological support for the high-quality development of its businesses through the orderly promotion of the construction and production of the technology centers and new data centers and the expansion of the city-wide disaster recovery data centers, the optimization of network architecture, the construction of resource pools, the application of nationalized software and hardware, and the reinforcement of network security and other measures. On the other hand, the Bank focused its resources on promoting the construction of new-generation core projects and ensuring the supply of technological resources to support business development, focusing on customer operations, risk prevention and control, channel operations, product innovation and other aspects, strengthening the support of technological systems, perfecting the supply of financial products, promoting the integration of online and offline businesses, assisting in group operation, and giving full play to the role of fintech in empowering the businesses of the Bank.

During the Reporting Period, the Bank continued to safeguard its investment in financial technology, strengthened the construction of its financial technology talent team and built up its financial technology innovation capability, with a total investment of RMB319 million in the Group's financial technology. As of the end of the Reporting Period, the Group had a total of 380 scientific and technical personnels.

(III) Distribution Channels

1. Physical distribution channel

As of the end of the Reporting Period, the Bank had 496 branches and sub-branches (excluding the headquarters), including 492 in Dongguan and 4 in other cities within the province. Our number of bank branches in Dongguan ranks first in terms of the number of bank branches in Dongguan. The Bank has 2 branches outside Dongguan in Guangzhou and Zhuhai, and 2 sub-branches outside Dongguan in Huizhou and Qingyuan.

In addition, the Bank cooperated with third parties to establish four county banks in Dongguan, Huizhou and Yunfu of Guangdong Province and Hezhou of Guangxi Zhuang Autonomous Region, with a total of 10 branches (excluding the headquarters); and established two rural commercial banks with third parties in Zhanjiang City and Shantou City in Guangdong Province. The two rural commercial banks have a total of 167 branches (excluding the headquarters).

2. Self-service banking channel

As of the end of the Reporting Period, the Group had 1,680 automatic teller machines (ATMs), self-service inquiry terminals, self-service card issuing terminals and intelligent service terminals; among them, there were 959 automatic teller machines (ATMs), 40 self-service inquiry terminals and 681 intelligent service terminals.

3. E-banking channel

During the Reporting Period, the Bank continued to optimize the customer experience of e-banking channels, continuously deepened the construction of financial and non-financial ecosystems, further enhanced the digital operation capabilities of online channels and improved the channel business system. The electronic channels of the Bank mainly include mobile banking, online banking, WeChat banking, telephone banking, etc. As of the end of the Reporting Period, the Bank's comprehensive counter replacement rate of electronic channels reached 98.36%.

IV. RISK MANAGEMENT

The Bank continuously improved the comprehensive risk management governance framework and defined the organizational structure of comprehensive risk management. Accordingly, the Board of Directors, the Board of Supervisors and the senior management assumed respectively the ultimate responsibility, supervisory responsibility and implementation responsibility for comprehensive risk management. The chief risk officer was delegated with full independence in respect of overall risk management. The Bank implemented the comprehensive risk management model of "overall management of the comprehensive risk, taking the lead in classification risk management", and continuously optimized the "three lines of defense" of risk management consisting of business departments, risks under centralized management by specialized departments and audit and supervision departments, and further improved the organizational system and working mechanism for risk prevention and control.

Chapter III Management Discussion and Analysis

During the Reporting Period, the Bank adhered to prudent and steady risk appetite, upheld the overall risk management principles of “seeking balance among risk, capital and income”, and promoted the establishment of a comprehensive risk management system in line with its strategic objectives, to ensure that the Bank’s risk tolerance is compatible with its capital adequacy level, and is committed to maximizing risk returns. Facing more complicated international and domestic environments, the Bank continuously optimized its risk management policies and procedures, strengthened the effective identification, reliable measurement, accurate monitoring and comprehensive control of major risks, and actively addressed and prevented various risks.

During the Reporting Period, the Bank focused on optimizing the credit risk management mechanism, fully implemented an independent credit approval mechanism that a professional independent credit approval team conducted centralized approval of credit business to promote standardized and independent credit approval. The Bank set up an agile group for cross-line and cross-departmental product research and development, pre-set the risk threshold, and embedded risk management into the whole process and whole life cycle of product development management.

(I) Credit Risk Management

Credit risk refers to the risk of economic loss caused by the failure of the Bank’s counterparties in performing their relevant obligations according to the agreed conditions.

The Bank has established and implemented standardized credit review and extensive management policies and procedures, and continuously improved the procedures, systems and methods related with credit risk management to identify, measure, supervise, reduce and control risks caused by credit business. In terms of credit risk management policies and procedures, the Bank has continuously improved its credit risk management system, and it has formulated and introduced relevant business management systems based on actual business development. During the Reporting Period, the Bank has revised the “Measures for the Administration of Working Capital Loans of Dongguan Rural Commercial Bank Co., Ltd.”, the “Measures for the Administration and Implementation of Fixed Assets Loan of Dongguan Rural Commercial Bank Co., Ltd.”, and other systems, which further strengthened the Bank’s credit risk management. In terms of the organizational structure and responsibilities of credit risk management, at the head office level, the Bank established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments that undertakes credit risk management functions, and established the asset preservation department to manage the non-performing assets in a centralized manner. Business departments are the first lines of defense for credit risk management of each business line, and implement vertical management and risk control for branch business teams. In terms of the methods of asset risk classification, the Bank strengthened the implementation of the Rules on Risk Classification of Financial Assets of Commercial Banks, established and improved its risk classification management system for financial assets, and categorized loans into five categories based on the overall risk level of loans, namely normal, special mention, substandard, doubtful and loss. Through the continuous supervision and analysis of the borrower’s financial risks, non-financial risks, cash flow, guarantees and other factors, it can accurately reflect the borrower’s ability to repay, willingness to repay and risk fluctuations in each specific period. In terms of the construction of the credit risk management system, the risk data pool and credit risk alert system of the Bank have been operating normally, and are comprehensively used in the entire process from pre-disbursement, disbursement to post-disbursement of loans.

As of the end of June 2024, the credit risk of the Group was generally controllable, and the non-performing loan ratio of the Group was within the control target.

For more details on credit risk management, please see Note 42.1 “Credit risk” to the Consolidated Financial Statements in the section headed “Financial Report” in this Report.

(II) Liquidity Risk Management

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds in a timely manner at a reasonable cost to repay debts due, perform other payment obligations and meet other capital needs for normal business operations.

The Bank adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, the Bank properly balanced the levels of income and liquidity, maintained moderate liquidity, and controlled liquidity risk within a reasonable range to ensure the safe operation of the Bank.

During the Reporting Period, the Bank continued to implement liquidity risk management policies and various liquidity risk management measures to strengthen liquidity risk management. Specific measures for liquidity risk management included: formulating annual liquidity risk appetite indicators and limit indicators based on the requirements of macro-economy, market trends and business development. The Bank continuously measured and monitored liquidity risk, and measured liquidity risk by using indicators such as liquidity ratio, liquidity matching ratio, liquidity gap ratio, liquidity coverage ratio and net stable funding ratio based on the structural allocation of assets and liabilities. The Bank assessed and improved liquidity risk management systems in a timely manner to improve the comprehensiveness and applicability of the regimes. Through stress testing scenarios combining mild, moderate and severe stress, the Bank analyzed the ability to withstand liquidity events or liquidity crises, and reasonably allocated sufficient liquidity reserve assets to cope with liquidity risks. The Bank has established a limit management and alert monitoring mechanism to ensure that the liquidity risk is controlled within an acceptable and reasonable range by regulating the daily asset-liability portfolio. The Bank has formulated specific emergency plans and organized emergency drills regularly to improve emergency response capabilities.

During the Reporting Period, the Bank's liquidity risk was generally controllable, and no major liquidity risk events occurred. The main liquidity risk regulatory indicators have met the standard monthly. The stress test results also showed that the Bank has sufficient risk mitigation capability under stressful scenarios to cope with the crises.

1. Liquidity coverage ratio

The Group calculates and discloses the liquidity coverage ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Liquidity Coverage Ratio of Commercial Banks (《商業銀行流動性覆蓋率信息披露辦法》):

(Unit: RMB'000)

Item	As at 30 June 2024	As at 31 December 2023	Minimum Regulatory Requirement
Liquidity ratio	94.77%	82.24%	≥25%
Qualified high-quality liquid assets	175,379,554.20	157,272,725.30	
Net cash outflows	78,656,850.70	72,959,838.00	
Liquidity coverage ratio	222.97%	215.56%	≥100%

Note: The data in the above table are all based on the standards adopted under the "off-site regulatory report" of the National Financial Regulatory Administration on a group consolidated basis.

2. Net stable funding ratio

The Group calculates and discloses the net stable funding ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Net Stable Funding Ratio of Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》):

(Unit: RMB'000)

Item	As at 30 June 2024	As at 31 March 2024	As at 31 December 2023
Available stable funding	523,242,928.82	509,860,174.83	497,205,070.46
Required stable funding	349,053,300.38	349,499,584.05	335,277,178.76
Net stable funding ratio	149.90%	145.88%	148.30%

Note: The data in the above table are all based on the standards adopted under the "off-site regulatory report" of the National Financial Regulatory Administration on a group consolidated basis.

(III) Market Risk Management

Market risks include interest rate risk, exchange rate risk (including gold), stock price risk and commodity price risk, which refer to the risk of losses in on-and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risks faced by the Bank include interest rate risk and exchange rate risk. The Bank has established and continued to improve its governance framework for market risk management, which clearly defines the responsibilities of the Board of Directors, the Board of Supervisors and the senior management, relevant risk management and business departments in the process of market risk identification, measurement, monitoring and reporting, so as to ensure the effectiveness of market risk management.

During the Reporting Period, the Bank followed the principle of prudent market risk management, maintained a conservative market risk appetite, and took measures such as limit management, duration control, sensitivity analysis, scenario simulation and stress testing to measure, monitor and manage interest rate risks in the trading accounts and banking book, and exchange rate risk, respectively, to ensure that market risks can be controlled within a reasonable range.

1. Interest rate risk management

Interest rate risk management refers to the process of identifying, measuring, monitoring and controlling interest rate risk.

The objectives of the Bank's interest rate risk management include establishing a sound interest rate risk management system, controlling fluctuations in income and economic value, ensuring that the Bank operates within an acceptable interest rate risk range, balancing interest rate risk and income, and ultimately maximizing risk returns.

In terms of the trading accounts, the Bank conducted measurement management of the interest rate risk of trading accounts by adopting various methods including change in fair value through profit and loss and floating profit and loss monitoring, gap analysis, value-at-risk (VaR), and interest rate sensitivity analysis (PVBP and duration). The Bank further optimized the interest rate risk limit management system of trading accounts, continued to monitor interest rate risk limits, and reported and alerted risks in a timely manner. The Bank continued to conduct stress tests on interest rate risk, and examined the impact of changes of market returns on the valuation of bond holdings and of revenue curves on the economic value of derivative portfolios. During the Reporting Period, the Bank adopted a prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivatives hedging and other methods. All trading book interest rate risk indicators were remained within the target range.

In terms of the banking book, the Bank measured interest rate risk in the banking book by means of gap analysis, duration analysis, scenario simulation and stress testing, and regularly evaluated the impact of different interest rate changes on net interest income and economic value. During the Reporting Period, the Bank adhered to the principles of prudence, comprehensiveness and independence, paid close attention to external policies and interest rate changes in markets. With the main goal of stabilizing the net interest margin and the fluctuation of interest rate risk indicators, the Bank initiatively adjusted the pricing of its businesses, as well as the management strategy of assets and liabilities, and optimized the repricing methods of floating-rate loans. In addition, in combination with the relevant provisions of the Measures for the Quality Management of Liabilities of Commercial Banks《(商業銀行負債質量管理辦法)》 and the Measures for the Supervision and Rating of Commercial Banks《(商業銀行監管評級辦法)》 issued by the CBIRC, the Bank improved its interest rate risk indicator system of banking book. As of the end of June 2024, all interest rate risk limit indicators for the banking book remained within the target range.

2. Exchange rate risk management

Since 2024, the RMB exchange rate has remained basically stable at a reasonable and balanced level. During the Reporting Period, the Bank took the control of foreign exchange exposure as the key measure of exchange rate risk management, and adopted the management strategy of maintaining low exposure to reduce the losses of the Bank caused by risks of drastic exchange rate fluctuations. As of the end of June 2024, the Bank's cumulative foreign exchange exposure ratio was 1.05%, which decreased by 0.15 percentage point from the beginning of the year, far below the regulatory bottom line of equal to or less than 20%, the exchange rate risk level was low, and the overall exchange rate risk was controllable.

(IV) Off-balance Sheet Business Risk Management

Off-balance sheet businesses refer to the businesses engaged by commercial banks which are not included in the balance sheet and do not constitute actual assets and liabilities according to the current enterprise accounting standards for business enterprises, but may cause changes in profit or loss. Because of off-balance sheet businesses' characteristics such as contingency, concealment, high leverage and hysteresis, off balance-sheet risks may transfer to on-balance sheet risks and seriously affect the operating activities and earning position of commercial banks under the influence of an uncertain factor at some time in the future. Off-balance sheet business risks faced by the Bank mainly come from businesses involving commitment and guarantee, providing investment and financing services as an agent, and financial derivatives.

1. Commitment and guarantee

Commitment and guarantee business is a business with which the Bank is entrusted by its customers to undertake responsibilities for third parties, and it is a business that the Bank is exposed to credit risks associated with commitment and guarantee and may be required to provide funds if the Bank's customer fails to fulfill its obligations. At present, the Bank's commitment and guarantee business mainly includes acceptance bills, letters of credit and letters of guarantee.

The Bank formulated the Operating Instruction for the Acceptance Business of E-Banking Acceptance Bills of Dongguan Rural Commercial Bank Co., Ltd., Operating Procedures for Lending Business under Domestic Letter of Credit of Dongguan Rural Commercial Bank Co., Ltd., Operating Procedures for Import Letter of Credit Business of Dongguan Rural Commercial Bank Co., Ltd., Implementation Rules for the Management of Letter of Guarantee Business of Dongguan Rural Commercial Bank Co., Ltd. and other systems in accordance with laws, regulations and rules, so as to accept the acceptance bills, letters of credit and letters of guarantee in compliance with laws. The aforesaid commitment and guarantee bill business was included in the Group's unified credit management.

The Bank will continue to strengthen its risk management efforts by rigorously reviewing the legality and authenticity of the transaction contracts and the value-added tax ("VAT") invoices under the contracts, and the logical relationship among the three main recording elements of the transaction contracts, VAT invoices and acceptance bills shall be reasonable. It is required that the underlying transactions under the acceptance bills do not exceed the scope of business approved in the business license, and that the transaction amount of the bills is commensurate with the scale of operation of the enterprise.

2. Providing investment and financing services as an agent

The business of providing investment and financing services as an agent refers to the business with which commercial banks are entrusted to provide investment and financing services to customers according to the agreement, with no responsibility for repayment on behalf of customers. At present, the Bank's investment and financing services as an agent mainly include entrusted loans, wealth management for customers and bond underwriting.

In terms of entrusted loan business, the Bank adopted a series of credit safety precautions to strengthen loan management for principals, for example, the issuance, use and recovery of entrusted loans, provided that as a trustee, the Bank shall just receive service fee, and shall not bear any credit risk or make any advance payment. The Bank clarified the entrusted loan business process through formal regulations, improved internal control mechanisms to avoid operational risks in entrusted loans, and required that the source of funds from the entrustor be legal and compliant. The funds must not come from privately raised funds, trust-managed funds, credit funds, or other debt funds, nor from special-purpose funds. The entrustor must not be a shell company and must have corresponding operational cash flow support. The borrower is required to provide loan purpose documentation for review and to conduct entrusted payments.

As for the business of wealth management for customers, the Bank formulated corresponding management systems and business management procedures from the asset end and liability end respectively, and conducted business within the risk limits established by senior management. The wealth management investment business has been incorporated into the unified credit system of the Bank, and the investment business is submitted to the owner or authority for review, adopting a unified credit policy, process, quota and concentration management, and implementing on-and off-balance sheet unified management. The Bank implemented a list management system for partners in the wealth management investment business and conducted regular tracking evaluations. The Bank regularly conducted stress tests on wealth management products to calculate the risk of wealth management products under different pressure scenarios and strengthen the risk management of wealth management assets and liabilities. The Bank regularly disclosed the operation of wealth management products on its official website to fully disclose the information, investment targets of funds, the net value of products, the liquidity risk analysis of the investment portfolios and other information of wealth management products to the investors. During the Reporting Period, the Bank's wealth management business had no risks and legal proceedings.

In terms of bond underwriting, the Bank has designated dedicated bond underwriting and distributing staff, who shall be responsible for the underwriting and distribution of bonds such as interest rate bonds (mainly referring to book-entry treasury bonds and policy financial bonds), local government bonds, and other bonds. The Bank formulated corresponding management systems and business procedures, and conducted business within specific risk limits. For the underwriting and distribution business of local bonds and other bonds (interest rate bonds exclusive), if the bond issuers or risk mitigation organizations have insufficient internal credit lines with the Bank, the Bank will request the bidder to provide subscription certificates. During the Reporting Period, the bond underwriting and distributing business of the Bank had no risks or legal proceedings.

3. Financial derivatives

The financial market department was established as the front office department for proprietary trading of local and foreign currency derivatives. Derivatives trading strictly followed the principles of separation of front, middle and back stages and the businesses were developed in an orderly manner according to the requirements of internal control and risk management system.

Before entering into derivatives transactions, the Bank shall determine the credit lines of counterparties by analyzing the financial data, business position, ratings by external credit rating agencies, shareholders' background and other information of counterparties, on the basis of the risk preference and the risk characteristics of each business. The Bank monitored and managed the risks of the derivatives business through risk limit, value at risk reports, exposure position statements and capital flow statement analysis and other measures. The Bank regularly conducted stress tests on the derivatives business, improved policies and procedures of market risk management based on the test results, and inspected the design and results of stress tests, so as to continuously improve the testing procedures. The derivatives business was incorporated into the liquidity risk management system and monitored through the liquidity risk management system. And the factors of the derivatives business were considered in the liquidity stress tests based on the actual situation.

(V) Compliance Risk Management

In recent years, the Bank has been committed to the improvement of its compliance management system, and has established a compliance risk management system appropriate to its scope of operation, organizational structure and scale of business to effectively prevent the occurrence of compliance risks.

Chapter III

Management Discussion and Analysis

During the Reporting Period, the Bank insisted on operating in compliance with laws and regulations, steadily carried out various tasks, and strictly prevented and controlled compliance risks. In line with the regulatory requirements, the Bank continued to implement the “establishment, revision and abolition” of the system, and improve the system construction, thereby ensuring the compliance and applicability of the system. The Bank put compliance risk control at the front by strictly verifying the compliance of new businesses and new products. The Bank established working mechanisms such as compliance inspection and compliance risk assessment, fully utilizing the management role of each business line, and consolidating the foundation of compliance risk prevention and control. The Bank launched activities such as “one theme, three lessons” publicity of compliance culture, compliance reporting, and signing of compliance and performance responsibility letter to enhance staff’s awareness of compliance, and improve their capabilities in compliance risk prevention and control. During the Reporting Period, the Bank did not have any major compliance risk events.

(VI) Operational Risk Management

Operational risks refer to the risks of losses resulting from inadequate or faulty internal procedures, staff and IT systems, and external events.

The Bank established a sound organizational structure and a sound management system for operational risks to ensure that business operations are in compliance with laws and regulations, which provided a healthy internal operating environment for business development. During the Reporting Period, the Bank revised the “Measures for the Management of Operational Risk of Dongguan Rural Commercial Bank Co., Ltd”, the “Measures for the Management of Internal Control of Dongguan Rural Commercial Bank Co., Ltd”, the “Measures for the Management of Collection of Operational Risk Events of Dongguan Rural Commercial Bank Co., Ltd”, and other systems, promoted the application of core operational risk management tools, established an effective operational risk identification system, and formulated the procedures and methods for operational risk identification, measurement, monitoring and control. The Bank enhanced the standardization supervision of employees’ behaviors and business operations by strengthening business supervision and inspection, risk screening, accountability for breaches and other aspects, reducing the occurrence of operational risk events. During the Reporting Period, the Bank did not have any major operational risk events.

(VII) Large-scale Risk Exposure Management

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks 《(商業銀行大額風險暴露管理辦法)》 issued by the CBIRC (Order of China Banking and Insurance Regulatory Commission (No. 1 [2018])), large-scale risk exposure refers to the credit risk exposure to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier one capital.

The Bank actively established and improved the organizational structure and management system for large-scale risk exposure management, incorporated large-scale risk exposure management into a comprehensive risk management system, and actively promoted and perfected the system construction related to the large-scale risk exposure management, so as to strictly prevent concentration risks. As of the end of the Reporting Period, the Group’s large-scale risk exposure indicators for non-interbank single customers, non-interbank group customers, interbank single customers and interbank group customers complied with regulatory requirements.

(VIII) Country Risk Management

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

During the Reporting Period, the Bank formulated and issued the “Measures for Country Risk Management of Dongguan Rural Commercial Bank (2024 Edition)” as the overall policy for country risk in accordance with relevant requirements such as the “Measures for Country Risk Management of Banking Financial Institutions” and based on the needs of business development. This aims to standardize the process of country risk identification, measurement, monitoring and control, build a country risk management system, formulate a country risk limit management plan, set and monitor relevant country risk limit indicators, and establish a country risk monitoring and reporting working mechanism.

(IX) Reputational Risk Management

Reputational risks refer to the risks that may be caused by negative evaluations on the Group and the Bank by stakeholders, the public, the media and others due to the operation and management of the Group and the Bank, the behaviors of employees or external events, thereby damaging the brand value of the Group and the Bank, affecting the normal operations of the Group and the Bank, and even affecting market stability and social stability. Reputational events refer to relevant acts or activities that cause significant damage to the Group's and the Bank's reputation.

The Bank has established an effective reputational risk monitoring and early warning and pre-assessment mechanism, aiming to promote the reputational risk control in advance by making full use of the intelligent reputation monitoring system and strengthening manual monitoring, implementing 24/7 hours omni-channel public opinion monitoring. The Bank has established a sound mechanism for the hierarchical handling of reputational events and continued to strengthen the regular management of reputational risks and the whole-process management mechanism. Also, the Bank conducted regular reputational risk management trainings, continuously improving the media public relations literacy and reputational risk response capabilities of relevant business personnel of various branches.

During the Reporting Period, the Bank further strengthened the reputational risk screening of each branch, and regularly investigated major customer complaints as well as improper marketing and publicity behaviors that occurred in branches each quarter which may cause widespread public concern, etc. The Bank also investigated and identified potential reputational risks, and promptly released reputational risk warnings. During the Reporting Period, the overall reputation of the Bank was stable and good, and no major reputational events affecting the stability of the Bank's operations occurred.

(X) Information Technology Risk Management

Information technology risks refer to risks arising from natural factors, human factors, technology loopholes and management defects during the course of the application of information technology by the Bank, including operational, legal and reputational risks.

Chapter III

Management Discussion and Analysis

During the Reporting Period, the Bank's information technology risk was controllable as a whole given that no major information technology risk events occurred. Firstly, the Bank improved the systems in the areas such as business continuity management, information technology outsourcing management, software legalization, and network communication management, and ensured effective implementation through standardized procedures. Secondly, the Bank conducted information system security assessments, vulnerability detection and repair on a regular basis through continuously monitoring and intercepting cybersecurity attacks, deepening the monitoring and handling of Internet digital assets, and upgrading office desktop security and network access systems with an aim to further enhance security protection capabilities. Thirdly, the Bank strengthened project risk management and control. To make it happen, the Bank continuously improved the research and development testing management system, expanded the scope of automated testing, launched the automated code scanning system so as to enhance the quality and efficiency of research and development as well as system security. Fourthly, the Bank strengthened production safety assurance to ensure the stable operation of data center infrastructure and systems, with the availability rate of critical information systems and the average transaction success rate exceeding 99.9% and 99.99%, respectively, both of which met the regulatory requirements. Fifthly, the Bank improved the overall contingency plan for emergency management of critical information systems and effectively conducted emergency drills to enhance business continuity levels.

(XI) Strategic Risk Management

Strategic risk refers to the risk where the strategic goal deviates from the expected due to the failure of strategic behavior to effectively maintain the match between the enterprise and the environment.

The Bank continued to pay attention to strategic risks. We have established a strategic risk management organizational system with the Board of Directors, the Board of Supervisors and senior management as the core, to ensure the implementation of the overall development plan, to evaluate the implementation of the development plan on a regular basis and to identify the main risk factors for achieving strategic goal. For relevant risk factors, we have formulated necessary measures and continuously tracked the risk factors, and carried out dynamic management of strategic objectives with reference to internal and external environments.

During the Reporting Period, the Bank conducted an in-depth assessment of the implementation of the "Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (Group)", with key strategic indicators achieving the set targets. The Bank continued to strengthen its management of the development strategies of its subsidiaries to maintain a consistent and synchronized approach to the Group's development.

(XII) Anti-Money Laundering Management

During the Reporting Period, the Bank followed the “risk-based” principle in its anti-money laundering efforts. By reorganizing the anti-money laundering requirements of each institution and accelerating the construction of the anti-money laundering system, the Bank has effectively deployed anti-money laundering human and information technology resources to realize the intensification, specialization and systematization of anti-money laundering duties. The Bank enhanced the quality and efficiency of the performance of core anti-money laundering duties by strictly implementing customer due diligence obligations, organizing and launching the governance of the identity information of non-natural person beneficial owners, improving the norms for the value of monitoring data for large-value and suspicious transactions, and proactively carrying out pilot work to optimize monitoring indicators for suspicious transactions. The Bank established a more scientific, reasonable and effective customer/business risk assessment mechanism through improving the customer risk information sharing mechanism, reshaping the assessment methods, processes and indicator system of business money laundering risks, and strengthening the business money laundering risk alerts and investigation, so as to strengthen the ability of corporate banking institutions to prevent money laundering risks. During the Reporting Period, the Bank did not have any material money laundering risk events. In addition, we actively performed the anti-money laundering financial intelligence function, and achieved remarkable results in performing our duties, highly recognized by the regulatory authorities and public security organs for the anti-money laundering work.

(XIII) Internal Control

During the Reporting Period, the Bank established a corporate governance structure with a reasonable division of labor, clear authority and responsibilities and checks and balances, as well as a multilevel internal control organizational structure. The Board of Directors, the Board of Supervisors, senior management, internal control management function department, internal audit department and other departments clearly defined their responsibilities and performed their respective duties, and formed a scientific and effective division of responsibilities and checks and balances mechanism. Each department of the head office formulated a comprehensive, systematic and standardized work system based on the functions of the department, and clarified management requirements, job responsibilities, business standards, work procedures, practice standards, accountability and other aspects to ensure that all business activities were carried out in an orderly manner. Meanwhile, the Bank established the system compliance review and follow-up evaluation mechanism to ensure the compliance, applicability and effectiveness of the system.

(XIV) Internal Audit

The Bank implements an independent and vertical internal audit management system. The Board of Directors assumed ultimate responsibility for the independence and effectiveness of internal audit, considered and approved internal audit rules, mid-and long-term audit plans and annual audit plans, etc., provided necessary safeguards for independent and objective internal audit work, and assessed the independence and effectiveness of internal audit. The Audit Committee of the Board of Directors is responsible for reviewing important systems and reports such as internal audit rules, considering and approving mid-and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit. The Audit Department specifically undertook internal audit responsibilities, and was responsible for reviewing, evaluating and urging for improvements in the Bank’s business operation, risk management, internal control and compliance and corporate governance through the application of systematic and standardized methods, so as to promote stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank adhered to and strengthened the Party's leadership over audit work. The audit department adhered to the main line of work of "serving the overall situation based on the center", focused on the main responsibilities and main businesses of risk supervision, closely monitored the "key events", "key personnel" and "key behaviors", and applied digital technology to carry out audit projects in the annual plan of credit business, risk management, information technology, subsidiaries and management organizations, as well as economic responsibility audit for some important personnel. In addition, through strengthening the coordination among various departments, launching the "looking back" supervision method, the Bank has been promoting the rectification and implementation of the problems revealed by audits, so as to promote a sound and long-term mechanism for risk prevention and to escort the high-quality development of the Bank.

V. FUTURE OPERATING PROSPECT

In the second half of 2024, the Bank will thoroughly implement the major decisions and deployments of the Party Central Committee, the State Council, and the provincial and municipal governments, deeply study and understand the spirit of the Third Plenary Session of the 20th CPC Central Committee, strictly follow the regulatory authorities' requirements, steadily carry out various management tasks, and continuously improve the quality and efficiency of serving the real economy.

(I) Focusing on Key Areas and Improving the Quality and Efficiency of Financial Services.

Based on its development positioning and resource advantages in supporting agriculture and small enterprises, the Bank will implement the "High-Quality Development" Project by making every effort to increase credit investment with the increasingly lower financing costs, strengthening product and service innovation under better financial management, promoting the transformation of business model with further financial support for major strategies, key areas and weak links and for the healthy development of modern industrial parks, new productivity and real estate industry to strive to excel in the "Five Major Financial Tasks".

(II) Strengthening Strategic Leadership and Deepening Group Management.

Against the background of increasing external challenges and uncertainties, the Bank will prudently evaluate changes in the situation, closely follow the policy direction by expediting the formulation of a new round of strategic development plan, adhering to the Group's principle of "overall best", and dedicating the Group's unified development strategy based on the synergy between the parent bank and its subsidiaries to the synergistic development of the Group.

(III) Optimizing Management Mechanism, and Promoting High-quality Development.

While fully grasping the business development, the Bank will coordinate the management efficiency by accelerating digital transformation, promoting process optimisation, improving the risk management system, and strengthening internal control and compliance in an effort to ensure a stable and sustainable future for the Bank.

Chapter IV Changes in Share Capital and Information on Shareholders



I. CHANGES IN SHARES

(I) Share Capital

During the Reporting Period, there was no change in the Bank's share capital. As of 30 June 2024, the Bank had a total of 5,740,454,510 Domestic Shares in issue, representing 83.33% of the total Shares, including 1,426,110,821 Shares held by the legal person, representing 20.70% of the total Shares; 3,831,195,193 Shares held by the public natural person, representing 55.62% of the total Shares; and 483,148,496 Shares held by staff members, representing 7.01% of the total Shares. There are 1,148,091,000 overseas listed foreign shares (H Shares), representing 16.67% of the total Shares.

(II) Details of Changes in Shares

During the Reporting Period, the changes in the ordinary Shares of the Bank are as follows:

(Unit: Shares)

	As at 31 December 2023		Increase (decrease) during the period Number of changes	As at 30 June 2024	
	Number	Percentage (%)		Number	Percentage (%)
Domestic Shares	5,740,454,510	83.33	—	5,740,454,510	83.33
Domestic Shares held by legal persons	1,368,245,155	19.86	57,865,666	1,426,110,821	20.70
Domestic Shares held by natural persons	4,372,209,355	63.47	(57,865,666)	4,314,343,689	62.63
Including: Shares held by staff members	483,148,496	7.01	—	483,148,496	7.01
Overseas listed foreign Shares (H Shares)	1,148,091,000	16.67	—	1,148,091,000	16.67
Total	6,888,545,510	100.00	—	6,888,545,510	100.00

Notes:

- (1) As of the end of the Reporting Period, there were 57,479 Domestic Shareholders. All Domestic Shares were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered H Shareholders was 24, of which HKSCC Nominees Limited, as a nominee, held the Shares on behalf of multiple Shareholders.
- (2) As of the end of the Reporting Period, 11,874,463 Domestic Shares were involved in judicial freezing, representing 0.17% of the total Shares.
- (3) The Bank has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules pursuant to which the minimum public float of the Shares of the Bank shall be 16.67%. Based on publicly available information as at the latest practicable date and to the best knowledge of the Directors, at least 16.67% of the issued Shares of the Bank has been held by the public during the Reporting Period, in compliance with the requirements under the Listing Rules as modified by the aforementioned waiver.

(III) Issuance of Securities

During the Reporting Period, the Bank did not issue any new Shares.

II. SHAREHOLDING STRUCTURE

(I) Number and Shareholdings of Shareholders

As of 30 June 2024, the total number of Shares of the Bank was approximately 6,889 million Shares, comprising 5,740 million Domestic Shares and 1,148 million H Shares. There were 119 legal person shareholders holding 1,426 million Domestic Shares, representing 20.70% of the total Shares; and 57,360 natural person shareholders holding 4,314 million Domestic Shares, representing 62.63% of the total Shares.

(II) Top Ten Shareholders as at the End of the Reporting Period

As of 30 June 2024, the ten largest Shareholders of the Bank together held 29.15% of the Bank's total shares. Among the top ten Shareholders, the shareholdings of all Domestic Shareholders did not exceed 5%, and the shareholding structure was relatively decentralized. Among the Domestic Shareholders, the largest Shareholder was Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司), holding 4.05% of the total Shares; the second largest Shareholder was Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), holding 2.18% of the total Shares; and the third largest Shareholder was Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司), holding 1.45% of the total Shares. All of these top three Domestic Shareholders are private enterprises.

As of 30 June 2024, shareholdings of the ten largest Shareholders are as follows:

No.	Name	Class of Shares	Nature of Shareholders	Number of Shares (share)	Percentage of the Bank's issued Shares ⁽²⁾ (%)	Changes of Shares during the Reporting Period (share)
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Others	1,148,034,910	16.67	-13,000
2	Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Domestic Shares	Non-state-owned legal person	279,246,910	4.05	-20,000,000
3	Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)	Domestic Shares	Non-state-owned legal person	150,104,602	2.18	—
4	Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)	Domestic Shares	Non-state-owned legal person	99,660,304	1.45	—
5	Dongguan City Haida Industrial Co., Ltd.* (東莞市海達實業有限公司)	Domestic Shares	Non-state-owned legal person	74,027,320	1.07	—

Chapter IV Changes in Share Capital and Information on Shareholders

No.	Name	Class of Shares	Nature of Shareholders	Number of Shares (share)	Percentage of the Bank's issued Shares ⁽²⁾ (%)	Changes of Shares during the Reporting Period (share)
6	Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)	Domestic Shares	Non-state-owned legal person	69,784,524	1.01	—
7	Dongguan City Jianhua Paper Co., Ltd.* (東莞市建樺紙業股份有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84	—
8	Dongguan City Fengjing Group Co., Ltd.* (東莞市峰景集團有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84	—
9	Dongguan City Xingye Knitting Co., Ltd.* (東莞市興業針織有限公司)	Domestic Shares	Non-state-owned legal person	36,284,941	0.53	6,220,000
10	Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司)	Domestic Shares	Non-state-owned legal person	35,080,472	0.51	—
Total				2,008,180,703	29.15	

Notes:

- (1) HKSCC Nominees Limited held a total of 1,148,034,910 H Shares of the Bank on behalf of various clients, representing 16.67% of the total issued Shares. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System and provides registration and custody services for clients.
- (2) Based on the total issued Shares of 6,888,545,510 Shares.

(III) Interest and Short Position of Directors and Chief Executives in the Shares, Underlying Shares and Debentures of the Bank or Any Associated Corporation

Please refer to the “Interests and Short Positions of Directors, Supervisors and Chief Executives” section in the chapter “Corporate Governance” of this Report.

(IV) Shareholding of Staff Members

As of 30 June 2024, the Bank had a total of 3,022 employee Shareholders, holding 483 million Shares (excluding H Shares), which accounted for 7.01% of the total Shares.

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

As of 30 June 2024, according to the register of shareholders kept by the Bank pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Bank, had an interest or short position in the Shares, the underlying Shares or debentures of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to divisions 2 and 3 of Part XV of the SFO.

Name of Shareholders	Capacity	Class of Shares	Number of Shares ⁽¹⁾ (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Lee Kar Lung (李家龍)	Beneficial owner	H Shares	13,940,000 (L)	17.40	2.90
	Interest in controlled corporation ⁽²⁾	H Shares	185,878,000 (L)		
Scoperto Limited	Beneficial owner	H Shares	185,878,000 (L)	16.19	2.70
Caitong Securities Co., Ltd.* (財通證券股份有限公司)	Interest in controlled corporation ⁽³⁾	H Shares	178,311,000 (L)	15.53	2.59
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Others ⁽⁴⁾	H Shares	178,311,000 (L)	15.53	2.59
State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan (東莞市人民政府國有資產監督管理委員會)	Interest in controlled corporation ⁽⁵⁾	H Shares	126,262,000 (L)	11.00	1.83
Dongguan Communications Investment Group Co., Ltd (東莞市交通投資集團有限公司)	Interest in controlled corporation ⁽⁵⁾	H Shares	126,262,000 (L)	11.00	1.83
Dongguan City Fook Man Group Company* (東莞市福民集團公司)	Interest in controlled corporation ⁽⁵⁾	H Shares	126,262,000 (L)	11.00	1.83
Fook Man Development Company Limited* (福民發展有限公司)	Beneficial owner	H Shares	126,262,000 (L)	11.00	1.83
Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司)	Investment manager	H Shares	103,874,000 (L)	9.05	1.51
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	Investment manager	H Shares	68,325,000 (L)	5.95	0.99

Chapter IV Changes in Share Capital and Information on Shareholders

Name of Shareholders	Capacity	Class of Shares	Number of Shares ⁽¹⁾ (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	Interest in controlled corporation ⁽⁶⁾	H Shares	60,000,000 (L)	5.23	0.87
Agricultural Bank of China Limited (中國農業銀行股份有限公司)	Interest in controlled corporation ⁽⁶⁾	H Shares	60,000,000 (L)	5.23	0.87
ABC International Holdings Limited (農銀國際控股有限公司)	Interest in controlled corporation ⁽⁶⁾	H Shares	60,000,000 (L)	5.23	0.87
ABCI Investment Management Limited (農銀國際投資管理有限公司)	Interest in controlled corporation ⁽⁶⁾	H Shares	60,000,000 (L)	5.23	0.87
Cozy Pony Limited (駿熹有限公司)	Person having a security interest in shares	H Shares	60,000,000 (L)	5.23	0.87

Notes:

- The letter “L” denotes long position.
- According to the information provided by Lee Kar Lung (李家龍), Lee Kar Lung (李家龍) has 100% control over Scoperto Limited. Accordingly, Lee Kar Lung (李家龍) was deemed to be interested in the interest held by Scoperto Limited under the SFO.
- According to the information provided by Caitong Securities Co., Ltd. (“Caitong Securities”), Caitong Securities has 40% control over Caitong Fund Management Co., Ltd.* (“Caitong Fund Management”). Accordingly, Caitong Securities was deemed to be interested in the interest held by Caitong Fund Management under the SFO.
- According to the information provided by Caitong Fund Management, Caitong Fund Management is the asset manager of ten asset management plans and held the H Shares under such Qualified Domestic Institutional Investor (QDII) asset management plans to implement the investment plans of its clients.
- According to the information provided by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Fook Man Development Company Limited is wholly-owned by Dongguan City Fook Man Group Company (東莞市福民集團公司), which in turn is wholly-owned by Dongguan Communications Investment Group Co., Ltd (東莞市交通投資集團有限公司), a company wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan. Accordingly, each of State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Dongguan Communications Investment Group Co., Ltd and Dongguan City Fook Man Group Company is deemed to be interest in all the Shares held by Fook Man Development Company Limited under the SFO.
- According to the information provided by Central Huijin Investment Ltd., Cozy Pony Limited is wholly-owned by ABCI Investment Management Limited, which is in turn wholly-owned by ABC International Holdings Limited. ABC International Holdings Limited is wholly-owned by Agricultural Bank of China Limited, which is in turn owned as to 40.03% by Central Huijin Investment Ltd.. Therefore, Central Huijin Investment Ltd., Agricultural Bank of China Limited, ABC International Holdings Limited and ABCI Investment Management Limited are deemed to be interested in the interest held by Cozy Pony Limited under the SFO.

(VI) Substantial Shareholders under the Interim Measures for Equity Management of Commercial Banks

According to the Interim Measures for Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the former CBRC, a substantial shareholder of a commercial bank refers to a shareholder who holds or controls more than 5% of the shares or voting rights of a commercial bank, or a shareholder who hold less than 5% of the total capital or total shares but have a significant impact on the operation and management of the commercial bank. The aforementioned significant influence includes, but not limited to, dispatching directors, supervisors or senior management personnel to commercial banks, influencing the financial and operational management decisions of commercial banks through agreements or other means, and other circumstances recognized by the CBIRC or its local offices.

1. Shareholders who hold 5% or above of the Shares of the Bank

As of 30 June 2024, except HKSCC Nominees Limited, the Bank had no shareholder holding 5% or above of the Shares of the Bank.

2. Other substantial Shareholders within the regulatory scope

(1) Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)

Guangdong Haide Group Co., Ltd. was established on 28 July 2000, its legal representative is Ye Jinquan (葉錦泉), its registered capital is RMB200 million, and its business scope covers: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals) and real estate development (operating with valid qualification certificates).

Guangdong Haide Group Co., Ltd. was regarded as a substantial Shareholder as it recommended Ye Jinquan to the Bank as a candidate for Director and he obtained a Board seat, which was in line with the circumstances of dispatching a Director to the Bank. The controlling shareholder of Guangdong Haide Group Co., Ltd. is Ye Jinquan who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares, accounting for 1.69% of the total Shares. The related parties of Guangdong Haide Group Co., Ltd. include Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) and Ye Jinquan and others. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB3,027,970,000. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(2) Dongguan City Xingye Knitting Co., Ltd.* (東莞市興業針織有限公司)

Dongguan City Xingye Knitting Co., Ltd. was established on 28 May 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50 million. Its business scope covers: general items: manufacturing of knitted or crocheted fabrics and their products; sales of knitted textiles and raw materials; sales of knitted textiles; apparel and accessories manufacturing; apparel manufacturing; wholesale of apparel and accessories; retail of apparel and accessories; non-residential real estate leasing; property management.

Chapter IV

Changes in Share Capital and Information on Shareholders

Dongguan City Xingye Knitting Co., Ltd. was regarded as a substantial Shareholder as it recommended Chen Weiliang to the Bank as a candidate for Director and he obtained a Board seat, which was in line with the circumstances of dispatching a Director to the Bank. The controlling shareholder of Dongguan City Xingye Knitting Co., Ltd. is Chen Xipei (陳錫培) who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties held a total of 36,313,081 Shares, accounting for 0.53% of the total Shares. The related parties of Dongguan City Xingye Knitting Co., Ltd. include Chen Xipei and Chen Weiliang and others. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB403,519,700. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their equities in the Bank.

(3) Dongguan Shenzhou Industrial Development Co., Ltd.* (東莞市神州實業開發有限公司)

Dongguan Shenzhou Industrial Development Co., Ltd. was established on 30 July 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6 million, and its business scope covers: industrial investment, property leasing; sales of fashion, decorative materials, building materials, daily necessities, textiles, electronic products, and hardware.

Dongguan Shenzhou Industrial Development Co., Ltd. was regarded as a substantial Shareholder as it recommended Li Guoyu (黎國裕) to the Bank as a candidate for Supervisor and he obtained a seat in the Board of Supervisors, which was in line with the circumstances of dispatching a Supervisor to the Bank. The controlling shareholder of Dongguan Shenzhou Industrial Development Co., Ltd. is Lu Chaoping (盧超平) who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares, accounting for 0.09% of the total Shares, and there were no other related parties holding Shares. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB82,378,100. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their equities in the Bank.

(4) Fook Man Development Company Limited* (福民發展有限公司)

Fook Man Development Company Limited was established on 10 April 1984, the person in charge of this enterprise is Tang Wencheng (唐聞成), and its registered capital is HKD20.05 million.

Fook Man Development Company Limited was regarded as a substantial Shareholder as it recommended Tang Wencheng to the Bank as a candidate for Director and he obtained a Board seat, which was in line with the circumstances of dispatching a Director to the Bank. The controlling shareholder of Fook Man Development Company Limited is Dongguan City Group Company (東莞市福民集團公司), and the actual controller is Dongguan City Transportation Group Co., Ltd. (東莞市交通集團有限公司). There is no party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Fook Man Development Company Limited held a total of 126,262,000 Shares, accounting for 1.83% of the total Shares, and there were no other related parties holding Shares. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Fook Man Development Company Limited and its related parties was RMB850,725,000.

(5) *Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd.* (東莞市邦業機電設備貿易有限公司)*

Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. was established on 6 December 2011, its legal representative is Cai Junbang (蔡浚邦), its registered capital is RMB500,000, and its business scope covers: sales of electrical and mechanical equipment, hardware products, plastic products, electronic products and accessories, construction materials, household electrical appliances, household ornaments, sanitary ware, and daily necessities; industrial investment, property leasing, and property management.

Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. was regarded as a substantial Shareholder as it recommended Cai Junbang to the Bank as a candidate for Supervisor and he obtained a seat in the Board of Supervisors, which was in line with the circumstances of dispatching a Supervisor to the Bank. The controlling shareholders of Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. are Cai Junbang and Cai Shaobin (蔡少斌), and the actual controller is Cai Chengzhi (蔡成枝). There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. held a total of 12,677,400 Shares, accounting for 0.18% of the total Shares, and there were no other related parties holding Shares. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. and its related parties was RMB0. During the Reporting Period, Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd. and its related parties did not pledge their equities in the Bank.

(6) *Dongguan Jianghao Trading Co., Ltd.* (東莞市江豪貿易有限公司)*

Dongguan Jianghao Trading Co., Ltd. was established on 6 May 2003, its legal representative is Wang Yanling (王燕玲), its registered capital is RMB1.50 million, and its business scope covers: sales of gold and silver jewelry, jade, gemstone jewelry, arts and crafts, watches and clocks, stationery and office supplies.

Dongguan Jianghao Trading Co., Ltd. was regarded as a substantial Shareholder as it recommended Liu Jiahao (劉家豪) to the Bank as a candidate for Supervisor and he obtained a seat in the Board of Supervisors, which was in line with the circumstances of dispatching a Supervisor to the Bank. The controlling shareholder of Dongguan Jianghao Trading Co., Ltd. is Liu Jiahao, and the actual controller is Liu Renting (劉任庭). There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Jianghao Trading Co., Ltd. held a total of 6,442,040 Shares, accounting for 0.09% of the total Shares, and there were no other related parties holding Shares. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Jianghao Trading Co., Ltd. and its related parties was RMB0. During the Reporting Period, Dongguan Jianghao Trading Co., Ltd. and its related parties did not pledge their equities in the Bank.

(VII) Information on Controlling Shareholders and Actual Controllers

During the Reporting Period, there was no major change in the Bank's shareholding structure and, except HKSCC Nominees Limited, there is no individual Shareholder together with its related parties holding more than 10% of the Shares. Any individual Shareholder and its related parties cannot control the general meetings and the Board of Directors. Therefore, the Bank does not have any controlling Shareholder or actual controller.

(VIII) Pledge and Freezing of Shares

As at the end of the Reporting Period, there were no ordinary Shares held by Shareholders holding more than 5% (including 5%) of the total Shares being pledged or frozen. As at the end of the Reporting Period, so far as the Bank was aware, there was no pledge of Domestic Shares of the Bank, and no Shareholders had pledged their Shares to the Bank. 11,874,463 Domestic Shares of the Bank were judicially frozen, representing 0.17% of the total Shares.

According to Article 43 of the Articles of Association of the Bank, if the equities of the Bank pledged by the Shareholders reach or exceed 50% of equities of the Bank held by such Shareholders, such Shareholders' voting right on the general meeting and the voting rights of the Directors nominated by such Shareholders on the Board meeting shall be restricted. During the Reporting Period, the Bank did not need to restrict the voting rights of relevant shares in general meetings or Board meetings.

(IX) Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Bank

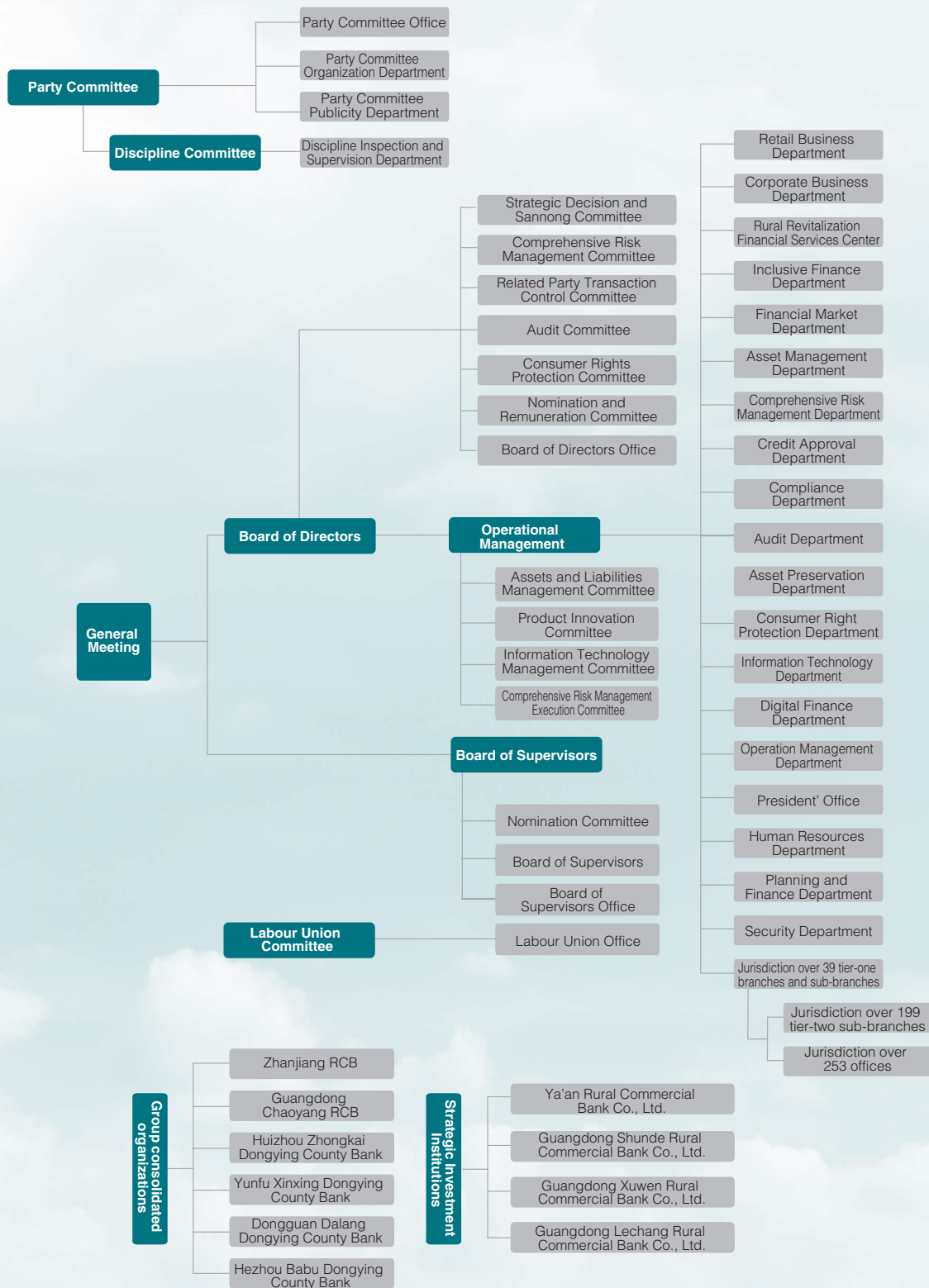
During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities (including the sale of treasury shares, if any) or redeemable securities of the Bank.

For the issuance and redemption of the Bank's bonds, please refer to "BONDS ISSUED AND REDEEMED" in the "Other Matters" chapter of this Report.

Chapter V Corporate Governance



I. ORGANISATIONAL CHART



Note: Structure as of Latest Practicable Date as set out above

II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, according to the requirements of the Company Law of the People's Republic of China, the Corporate Governance Standards of Banking and Insurance Institutions of the CBIRC, and the Listing Rules of the Hong Kong Stock Exchange, and adhering to the leadership of the Party, the Bank has established a corporate governance structure consisting of general meetings, the Board of Directors, the Board of Supervisors and the senior management, improved all specialized committees under the Board of Directors, the Board of Supervisors and the senior management, continuously improved the corporate governance structure and enhanced the level of corporate governance.

The Bank strictly complied with the requirements of the Corporate Governance Code, as well as the relevant laws and regulations and the Listing Rules and other regulations on inside information management. As of the end of the Reporting Period, there was no material difference between the Bank's corporate governance and the requirements of the Company Law of the People's Republic of China and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened 1 general meeting, 6 meetings of the Board of Directors (all were on-site meetings), 6 meetings of the Board of Supervisors, and 1 special meeting of independent Directors. The convening of such meetings is in compliance with the procedures stipulated in laws and regulations, regulatory requirements and the Articles of Association of the Bank.

III. SHAREHOLDERS' GENERAL MEETING

(I) Convening of General Meeting

During the Reporting Period, the Bank convened one general meeting, namely the 2023 annual general meeting held at the conference room of Dongguan Rural Commercial Bank on 30 May 2024. The convening, notice, holding and voting procedures of the meeting were in compliance with relevant laws and regulations and relevant provisions of the Articles of Association of the Bank. At the general meeting, 19 resolutions, including the Resolution in relation to Work Report of the Board of Directors of the Bank for 2023, the Resolution in relation to Work Report of the Board of Supervisors of the Bank for 2023, the Resolution in relation to 2023 Annual Report of the Bank, the Resolution in relation to the Election of Directors to the Fifth Session of the Board of Directors of the Bank, and the Resolution in relation to the Election of Non-Employee Supervisors of the Fifth Session of Board of Supervisors of the Bank were considered and approved, safeguarding the legitimate rights and interests of all shareholders, and ensuring that shareholders can exercise their powers in accordance with the law.

Please refer to the announcement disclosed on 30 May 2024 by the Bank on the HKExnews website of the Hong Kong Stock Exchange and the official website of the Bank for information on the attendance at general meeting and the specific voting of various resolutions.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Gender	Date of birth	Position	Term of office ⁽¹⁾	Class of Shares	Number of Shares directly held as at the beginning of the Reporting Period (share)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares directly held as at the end of the Reporting Period (share)
Lu Guofeng	Male	September 1969	Secretary to the Party Committee	April 2023–present	—	—	—	—
			Chairman of the Board of Directors	December 2023–present				
			Executive Director	November 2023–present				
Fu Qiang	Male	July 1970	Deputy secretary to the Party Committee	November 2018–present	Domestic Shares	500,000	—	500,000
			Executive Director	July 2019–present				
			President	July 2019–present				
Ye Jianguang	Male	October 1972	Member of the Party Committee	August 2016–present	Domestic Shares	500,000	—	500,000
			Executive Director	March 2019–present				
			Vice President	December 2017–present				
			Chief Risk Officer	March 2019–present				
			Secretary to the Board of Directors	May 2021–present				
			Joint company secretary	April 2021–present				
Ye Jinqun	Male	June 1970	Non-executive Director	June 2018–present	Domestic Shares	9,663,060	—	9,663,060
Zhang Qingxiang	Male	November 1985	Non-executive Director	December 2019–present	Domestic Shares	2,021,371	—	2,021,371
Chen Weiliang	Male	September 1984	Non-executive Director	December 2019–present	Domestic Shares	6,000	—	6,000
Tang Wencheng	Male	May 1979	Non-executive Director	September 2022–present	—	—	—	—
Zeng Jianhua	Male	February 1958	Independent Non-executive Director	September 2022–present	—	—	—	—
Yip Tai Him	Male	August 1970	Independent Non-executive Director	March 2019–present	—	—	—	—
Xu Zhi	Male	June 1972	Independent Non-executive Director	December 2019–present	—	—	—	—
Tan Fulong	Male	June 1973	Independent Non-executive Director	December 2019–present	—	—	—	—
Liu Yuou	Female	August 1971	Independent Non-executive Director	December 2019–present	—	—	—	—

Name	Gender	Date of birth	Position	Term of office ⁽¹⁾	Class of Shares	Number of Shares directly held as at the beginning of the Reporting Period (share)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares directly held as at the end of the Reporting Period (share)
Xu Tingting	Female	June 1983	Independent Non-executive Director	December 2019–present	—	—	—	—
Chen Sheng	Male	September 1974	Member of the Party Committee Chairman of the Board of Supervisors Employee Supervisor	August 2018–present September 2018–present September 2018–present	Domestic Shares	32,210	—	32,210
Chen Huinan	Male	September 1972	Employee Supervisor	May 2024–present	Domestic Shares	230,000	—	230,000
Wen Junhua	Female	April 1977	Employee Supervisor	May 2024–present	Domestic Shares	70,650	—	70,650
Liu Liping	Female	November 1974	Employee Supervisor	May 2024–present	—	—	—	—
Deng Qian	Female	July 1976	Shareholder Representative Supervisor	May 2024–present	Domestic Shares	21,503,156	-16,500,000	5,003,156
Cai Junbang	Male	March 1990	Shareholder Representative Supervisor	May 2024–present	—	—	—	—
Liu Jiahao	Male	December 1990	Shareholder Representative Supervisor	May 2024–present	—	—	—	—
Li Guoyu	Male	November 1982	Shareholder Representative Supervisor	May 2024–present	—	—	—	—
Wei Haiying	Female	December 1963	External Supervisor	October 2019–present	—	—	—	—
Zhang Bangyong	Male	February 1979	External Supervisor	October 2019–present	—	—	—	—
Mai Xiuhua	Female	January 1971	External Supervisor	October 2019–present	—	—	—	—
Liu Sheng	Male	December 1990	External Supervisor	May 2024–present	—	—	—	—
Chen Dongmei ⁽²⁾	Female	November 1971	Member of the Party Committee Vice President Chief Information Officer Chairman of the Labour Union Committee	September 2016–present December 2017–present April 2019–present May 2020–present	Domestic Shares	420,035	—	420,035
Zhong Guobo ⁽³⁾	Male	June 1973	Assistant to the President	January 2023–present	Domestic Shares	500,000	—	500,000

Notes:

- (1) The term of office of directors and senior management stated here refers to the date on which the relevant director or senior management obtains the qualification approval from the National Financial Regulatory Administration (or its predecessor). The date of appointment of a Supervisor shall commence from the date on which the Supervisor is elected at the general meeting or the employee representative meeting.
- (2) Ms. Chen Dongmei obtained the qualification approval of the former CBRC Dongguan office on 24 November 2017 and officially took the post of the vice president of the Bank on 28 December 2017.
- (3) Mr. Zhong Guobo obtained the qualification approval of the former CBIRC Dongguan office on 30 December 2022 and officially took the post of the assistant to the president of the Bank on 3 January 2023.

(II) Changes in Directors, Supervisors and Senior Management

On 30 May 2024, the Bank held the ninth meeting of the third session of Labour Union Representatives and Employee Representatives to elect Mr. Chen Sheng, Mr. Chen Huinan, Ms. Wen Junhua and Ms. Liu Liping as the employee Supervisors of the fifth session of Board of Supervisors of the Bank.

On 30 May 2024, the Bank held the 2023 annual general meeting to elect 17 persons as Directors of the fifth session of the Board of Directors, including Mr. Lu Guofeng, Mr. Fu Qiang, Mr. Qian Hua, Mr. Ye Jianguang, Ms. Li Huiqin, Mr. Wong Wai Hung, Mr. Ye Jinqian, Mr. Zhang Qingxiang, Mr. Chen Weiliang, Mr. Tang Wencheng, Mr. Chan Ho Fung, Mr. Zeng Jianhua, Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Tan Fulong, Ms. Liu Yuou, and Ms. Xu Tingting, of which four persons, namely Mr. Qian Hua, Ms. Li Huiqin, Mr. Wong Wai Hung and Mr. Chan Ho Fung, will formally assume their duties upon approval of their qualifications for directorship. Eight persons, namely, Ms. Deng Qian, Mr. Cai Junbang, Mr. Liu Jiahao, Mr. Li Guoyu, Ms. Wei Haiying, Mr. Zhang Bangyong, Ms. Mai Xiuhua, and Mr. Liu Sheng, were elected as the non-employee Supervisors of the fifth session of Board of Supervisors of the Bank. Four persons, namely, Mr. Lai Chun Tung, Mr. Wang Junyang, Mr. Cai Guowei, and Mr. Chen Haitao ceased to be Directors of the Bank due to the expiry of the fourth session of the Board. Eight persons, namely Ms. Deng Yanwen, Mr. Wu Lixin, Mr. Liang Zhifeng, Mr. Lu Chaoping, Mr. Wang Zhujin, Mr. Liang Jiepeng, Mr. Zou Zhibiao and Mr. Yang Biao, ceased to serve as Supervisors of the Bank due to the expiration of the term of office of the fourth session of the Board of Supervisors.

On 30 May 2024, the Bank held the first meeting of the Fifth Session of Board of Directors to elect Mr. Lu Guofeng as the chairman of the Board of Directors by disclosed ballot.

On 30 May 2024, the Bank held the first meeting of the fifth session of Board of Supervisors to elect Mr. Chen Sheng as the chairman of the Board of Supervisors by a show of hands.

(III) Changes in Information of Directors and Supervisors

Mr. Ye Jianguang is currently the member of the Joint Teaching Committee of the School of Economics, Steering Committee of Professional Degree Graduate Education, Jinan University (暨南大學專業學位研究生教育指導委員會經濟學院聯合教指委).

Ms. Liu Yuou ceased to be the manager of Dongguan Huiying Investment Consulting Co., Ltd.* (東莞市薈盈投資諮詢有限公司). In addition, Ms. Liu is currently a supervisor of Dongguan Zhengyu Enterprise and Business Service Co., Ltd.* (東莞市正域企服商務服務有限公司).

(IV) Interests and Short Positions of Directors, Supervisors and Chief Executives

As of 30 June 2024, the interests and short positions of the Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register of interests or short positions kept by the Bank pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules are as follows:

Interest in Shares or underlying Shares

Name	Position	Class of Shares	Long position/ short position	Capacity	Number of Shares directly or indirectly held (share)⁽¹⁾	Approximate % of the relevant class of Shares of the Bank⁽¹⁾ (%)	Approximate % of total issued Shares of the Bank⁽¹⁾ (%)
Fu Qiang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Ye Jianguang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.01742	0.01452
		Domestic Shares	Long position	Interest of spouse	500,000		
Ye Jinquan	Non-executive Director	Domestic Shares	Long position	Beneficial owner	9,663,060	1.99510	1.66259
		Domestic Shares	Long position	Interest in controlled corporation ⁽²⁾	104,864,996		
Zhang Qingxiang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,021,371	0.07566	0.06305
		Domestic Shares	Long position	Interest of spouse	2,322,102		
Chen Weiliang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	6,000	0.00010	0.00009
Chen Sheng	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047
Chen Huinan	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	230,000	0.00401	0.00334
Wen Junhua	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	70,650	0.00123	0.00103
Deng Qian	Shareholder Representative Supervisor	Domestic Shares	Long position	Beneficial owner	5,003,156	0.08732	0.07277
		Domestic Shares	Long position	Interest of spouse	9,663		
Cai Junbang	Shareholder Representative Supervisor	Domestic Shares	Long position	Interest in controlled corporation ⁽³⁾	12,677,400	0.22084	0.18404
Liu Jiahao	Shareholder Representative Supervisor	Domestic Shares	Long position	Interest in controlled corporation ⁽⁴⁾	6,442,040	0.11222	0.09352

Notes:

- (1) As of 30 June 2024, the total number of issued ordinary Shares of the Bank was 6,888,545,510, divided into 5,740,454,510 Domestic Shares and 1,148,091,000 H Shares.
- (2) Such 104,864,996 Domestic Shares include (i) 69,784,524 Domestic Shares held by Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司) (“Guangdong Haide”); and (ii) 35,080,472 Domestic Shares held by Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) (“Dongguan City Commercial Center”). Guangdong Haide owned, among other shareholders, as to (a) 25% by Mr. Ye Jinqun; (b) 25% by Dongguan City Botong Shiye Investment Co., Ltd.* (東莞市博通實業投資有限公司), which in turn is owned as to 96% by Mr. Ye Jinqun; (c) 25% by Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) (“Dongguan City Commercial Center”), which in turn is owned as to 96% by Mr. Ye Jinqun and (d) 24% by Dongguan City Hengyi Industrial Investment Co., Ltd.* (東莞市恒億實業投資有限公司), which in turn is owned as to 51% by Guangdong Haide and 39% by Mr. Ye Jinqun. Accordingly, Mr. Ye is deemed to be interested in all the Domestic Shares held by Guangdong Haide and Dongguan City Commercial Center under the SFO.
- (3) Such 12,677,400 Domestic Shares are held by Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd.* (東莞市邦業機電設備貿易有限公司), which is owned as to 50% by Mr. Cai Junbang. Accordingly, Mr. Cai Junbang is deemed to be interested in all the Domestic Shares held by Dongguan Bangye Mechanical & Electrical Equipment Trading Co., Ltd.* (東莞市邦業機電設備貿易有限公司) under the SFO.
- (4) Such 6,442,040 Domestic Shares are held by Dongguan Jianghao Trading Co., Ltd.* (東莞市江豪貿易有限公司), which is owned as to 50% by Mr. Liu Jiahao. Accordingly, Mr. Liu Jiahao is deemed to be interested in all the Domestic Shares held by Dongguan Jianghao Trading Co., Ltd.* (東莞市江豪貿易有限公司) under the SFO.

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Bank had any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (as defined in the part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register of interests or short positions referred to therein, or which were required pursuant to the Model Code to be notified to the Bank and the Stock Exchange.

(V) Security Transactions by Directors and Supervisors

The Bank has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the standards of securities transactions by Directors and Supervisors since its listing. Having made specific enquiry to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period.

(VI) Rights to Acquire Securities of the Bank

None of the Bank, or any of its holding companies (if any) or subsidiaries, or any fellow subsidiaries (if any), is a party to any arrangement enables any Directors, Supervisors or chief executives of the Bank or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Bank or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Bank or any other body corporate.

(VII) Directors' Interests in Competing Business

Mr. Zhang Qingxiang, the non-executive Director of the Bank, holds 51% of the equity interest of Guangdong Yuxinguo Construction Engineering Limited* (廣東裕欣國建築工程有限公司) ("Guangdong Yuxinguo") which in turn is interested in 20% of the equity interest of Dongguan City Jiaxing Small Loan Co., Ltd.* (東莞市佳興小額貸款股份有限公司) ("Dongguan Jiaxing"), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Jiaxing is engaged in small loans business, it may compete with the business of the Bank.

Taking into consideration of the relatively small registered capital of RMB100.0 million of the aforementioned competing businesses, as compared to that of our Bank and the diverse scope of business of our Bank, the potential competition between our Bank with such competing businesses is minimal. As each of the relevant Directors is a non-executive Director and does not participate in our daily management, the Bank believes that the business operation of the Bank will not be affected by their interest in such competing businesses. In accordance with the Articles of Association of the Bank, if a Director is materially interested in any matters to be considered at the Board of Directors meeting, such Director shall abstain from voting on such resolution.

(VIII) Financial, Business and Family Relationship among Directors, Supervisors and Senior Management

To the best of our knowledge, there is no financial, business, family or other material or relevant relationship among the Directors, Supervisors and senior management of the Bank.

(IX) Remaining Portion of Directors' and Supervisors' Pre-tax Emoluments

The remaining portion of the pre-tax emoluments of Directors and Supervisors who were remunerated at the Bank for 2023 was settled as required. The Bank's executive remuneration in 2023 has decreased compared with that in 2022. Among them, the remaining portion of the pre-tax emoluments of Lu Guofeng, Fu Qiang, Ye Jianguang, Chen Sheng, Wu Lixin, Liang Zhifeng, and Wang Yaoqiu for the year of 2023 amounted to RMB339,500, RMB508,900, RMB714,900, RMB714,900, RMB683,800, RMB628,500, and RMB342,100, respectively. In accordance with the relevant regulations, the performance-based compensation of the aforesaid personnel is deferred. The total amount of deferred performance-based compensation before tax for the aforesaid personnel for the year 2023 was RMB4,307,500, and the deferred compensation has yet to be paid to individuals.

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

Save for the continuing connected transactions exempted from the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules, none of a Director, Supervisor or an entity connected with a Director or a Supervisor has any interest, either directly or indirectly, in significant transactions, arrangements and contracts in relation to the Group's business to which the Bank, its holding company, subsidiaries or fellow subsidiaries was a party during the Reporting Period (excluding service contracts).

V. Board of Directors

(I) Composition of the Board of Directors

As of the Latest Practicable Date, the Board of Directors of the Bank consisted of 17 Directors (including proposed members) (including the proposed), including 4 executive Directors, namely Mr. Lu Guofeng (secretary to the Party Committee, the chairman), Mr. Fu Qiang (deputy secretary to the Party Committee, president), Mr. Qian Hua (proposed) and Mr. Ye Jianguang (member of the Party Committee, vice president, chief risk officer, secretary to the Board of Directors and joint company secretary); 7 non-executive Directors, namely Ms. Li Huiqin(proposed), Mr. Wong Wai Hung(proposed), Mr. Ye Jinqun, Mr. Zhang Qingxiang, Mr. Chen Weiliang and Mr. Tang Wencheng, Mr. Chan Ho Fung(proposed); 6 independent non-executive Directors, namely Mr. Zeng Jianhua, Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Tan Fulong, Ms. Liu Yuou and Ms. Xu Tingting. Appointment of four proposed Directors shall take effect upon obtaining the approval of the regulatory authorities on their director qualifications. All communication documents of the Bank containing the names of directors clearly state the categories of directors in compliance with the requirements of the Listing Rules.

The roles and duties of the chairman and the president of the Bank are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of the regulatory provisions and the Listing Rules.

The Bank has formulated the board diversity policy among others, according to the position and the continuous adoption and implementation of the policy, we are committed to ensuring that the Board of Directors of the Bank achieves an appropriate balance in terms of diversity. The Bank will consider the composition of the Board of Directors from various aspects in accordance with the board diversity policy, including but not limited to directors' gender, age, education background, professional experience, knowledge and skills, etc., to ensure a balanced distribution of skills and experience combinations of board members to provide different perspectives, insights and questions, allowing the board to effectively perform its duties, thereby enhancing the effective operation of the board and maintaining high standards of corporate governance.

(II) Meetings of the Board of Directors and committees under the Board of Directors

During the Reporting Period, the Bank convened 6 meetings of the Board of Directors, all of which were on-site meetings. The Board of Directors mainly considered and approved 96 proposals, including the Resolution in relation to the Report on Self-Assessment of Corporate Governance of the Bank for 2023, the Resolution in relation to Work Report of the Board of Directors of the Bank for 2023, the Resolution in relation to Operation and Management Work Report of the Bank for 2023, the Resolution in relation to Work Report of Independent Directors of the Bank for 2023, the Resolution in relation to the Nomination of Candidates for the Fifth Session of the Board of Directors of the Bank, the Resolution in Relation to the Bank's Merger by Absorption of Dongguan Dalang Dongying County Bank Company Limited, and the Resolution in Relation to the Bank's Merger by Absorption of Huizhou Zhongkai Dongying County Bank Company Limited, and reviewed 13 reports. The Board of Directors had six specialized committees including the Strategic Decision and Sannong Committee, the Comprehensive Risk Management Committee, the Nomination and Remuneration Committee, the Related Party Transaction Control Committee, the Audit Committee and the Consumer Rights Protection Committee. During the Reporting Period, the six specialized committees under the Board of Directors exercised their powers independently, compliantly and effectively in accordance with laws, and convened 31 meetings, at which considered resolutions including strategic planning, remuneration appraisal, comprehensive risk management, internal control, related party transactions and consumer rights protection. The committees maintained communication with the operational management, and gave full play to their roles in assisting the Board of Directors in making scientific decisions.

VI. THE BOARD OF SUPERVISORS

(I) Composition of the Board of Supervisors

As of the end of the Reporting Period, the Board of Supervisors of the Bank consists of 12 Supervisors, including 4 employee Supervisors, namely Mr. Chen Sheng, Mr. Chen Huinan, Ms. Wen Junhua and Ms. Liu Liping; 4 Shareholder representative Supervisors, namely Ms. Deng Qian, Mr. Cai Junbang, Mr. Liu Jiahao and Mr. Li Guoyu; and 4 external Supervisors, namely Ms. Wei Haiying, Mr. Zhang Bangyong, Ms. Mai Xiuhua and Mr. Liu Sheng.

(II) Meetings of the Board of Supervisors and Committees Thereunder

During the Reporting Period, the Bank held a total of 6 meetings of the Board of Supervisors, including 4 on-site meetings and 2 meetings by circulation of written resolutions. The Board of Supervisors mainly considered and approved 36 proposals, including Resolution on the Report of the Investigation on the Organizational Structure Reform of Dongguan Rural Commercial Bank, and reviewed 86 proposals, including Resolution on the 2023 Work Report of Sannong Financial Services of Dongguan Rural Commercial Bank Co., Ltd..

During the Reporting Period, the Board of Supervisors has established two special committees, namely the Nomination Committee and the Supervision Committee. During the Reporting Period, the two special committees under the Board of Supervisors of the Bank exercised their functions and powers independently, in compliance with laws and regulations and effectively. They held a total of 3 meetings and considered 5 proposals, including the Report on the Performance Evaluation Results of Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. for 2023 and the Report on the Special Audit Work of the Board of Directors and the Special Committees under the Senior Management of Dongguan Rural Commercial Bank for 2023. They maintained communication with the Board of Directors and the management and gave full play to their supervisory role.

VII. SENIOR MANAGEMENT

The senior management of the Bank consists of 1 president, 2 vice presidents and 1 assistant to the president. At the senior management level, the Bank has established Assets and Liabilities Management Committee (資產負債管理委員會), Product Innovation Committee (產品創新委員會), Information Technology Management Committee (信息科技管理委員會), and Comprehensive Risk Management Execution Committee (全面風險管理執行委員會). Each committee is under operation independently according to relevant functions.

VIII. EMPLOYEES

As of the end of the Reporting Period, the Group had 7,819 employees, including 4,612 male employees and 3,207 female employees, with a male-to-female ratio of approximately 1.44:1. The details are as follows:

(I) Employees Functional Structure

Function type	Number	Percentage
Corporate banking business	1,091	13.95%
Personal banking business	2,944	37.65%
Treasury business	98	1.25%
Finance, accounting and operation	1,478	18.90%
Risk management, internal control and legal compliance	886	11.33%
Information technology	380	4.86%
Administrative management	658	8.42%
Others	284	3.63%
Total	7,819	100.00%

(II) Employee Educational Background Structure

Educational background type	Number	Percentage
Postgraduate and above	371	4.74%
Undergraduate	6,230	79.68%
Associate college	978	12.51%
Technical secondary school and below	240	3.07%
Total	7,819	100.00%

(III) Employee Title Structure

Title category	Number	Percentage
Senior title	146	1.87%
Intermediate title	1,562	19.98%
Assistant title	2,016	25.78%
Employee level and below	4,095	52.37%
Total	7,819	100.00%

Note: The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Group, excluding non-active personnel such as retired and early retired personnel, and personnel under labor dispatch or outsourcing arrangement.

(IV) Employee Remuneration Policy

The Bank's remuneration is based on risk compliance, follows the basic principles of total quantity control, distribution according to work volume, priority for efficiency, fairness and sustainable development, and fully reflects external competitiveness, internal fairness, individual incentives, corporate affordability and institutional flexibility, which is in line with the strategic development and operation management needs of the Bank.

The Bank continued to strengthen the construction of the remuneration system and performance incentive and restraint mechanism, and formulated the Dongguan Rural Commercial Bank Co., Ltd. Remuneration Management Measures and the performance appraisal plan for all levels of personnel. The performance-based compensation is mainly linked with the completion of the organization's business performance and the result of risk control.

The Bank continued to implement the mechanism of deferred and revoked payment for performance-based compensation. To that end, the scope of deferred payment of performance-based compensation included senior management of the Bank, employees in positions that have significant impact on risks, and other individuals who engage in credit and credit-like business. The Bank divided different provision ratios according to titles, ranks and positions of deferred payment subject, with payment deferral period of 3 years.

(V) Staff Training

The Bank deepened the concept of "Talent is the First Resource". Focusing on staff growth, the Bank continuously optimized the training management system, promoted the construction of the staff training system, and explored the hierarchical and graded training. This aimed to accelerate staff growth and assist the Group's strategic reforms and business development.

Firstly, the Bank improved the management training system. The Bank further upgraded the content of the "Evergreen Foundation (基業長青)" leadership training system and explored diversified training mechanisms. To that end, the Bank launched the "Indigo Project (靛青計劃)". Featuring a learning programme quarterly, the Bank selected quality learning content for the purpose of promoting knowledge updating and awareness-raising among middle and senior management. Meanwhile, the Bank created the "Foundation Project (築基計劃)", a competency training camp for new team leaders, which provided a companion learning mechanism to help realize management role switching and management method learning.

Secondly, the Bank strengthened the professional capacity building of positions. The Bank was prepared to promote the development of the "Sanhua (三化)" (standardization, modeling and systematization) for key positions. The Bank accelerated the development of professional competence of staff in key positions through guidance design, centralized training, and shaping and strengthening. The Bank strengthened the coordinated management of professional training, explored the categorized and hierarchical training of professional competence, and accelerated the training of retail, corporate, and universal teams, with a focus on enhancing the combat power of each business team.

IX. SUBSIDIARIES AND BRANCHES

(I) Major Subsidiaries

The Bank's major subsidiaries include Zhanjiang RCB, Guangdong Chaoyang RCB, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank.

For details about the major subsidiaries, please refer to the Note 18 "Subsidiaries" to the consolidated financial statements in the "Financial Report" chapter in this Report.

(II) Branches

As of the end of the Reporting Period, the Bank has established 39 tier-one branches and sub-branches, 199 tier-two sub-branches and 258 offices. Details of tier-one branches and sub-branches are as follows:

No.	Name of entity	Address	Telephone
1	Zhongxin sub-branch	No.2 Hongfu East Road, Dongcheng Street, Dongguan City	0769-22866666
2	Zhongtang sub-branch	No.101 Zhongxing Road, Zhongtang Town, Dongguan City	0769-88818522
3	Wangniudun sub-branch	No.25 Zhenzhong Road, Wangniudun Town, Dongguan City	0769-88851262
4	Daojiao sub-branch	No.120 Zhenxing Road North, Daojiao Town, Dongguan City	0769-88833111
5	Hongmei sub-branch	No. 69 Qiaodong Road, Hongmei Town, Dongguan City	0769-88841546
6	Machong sub-branch	No.5 Zhenxing Road, Machong, Machong Town, Dongguan City	0769-88821389
7	Wanjiang sub-branch	No.3 Wanjiang Road North, Xincheng Community, Wanjiang District, Dongguan City	0769-22288628
8	Humen sub-branch	No.181 Humen Avenue, Humen Town, Dongguan City	0769-85123142
9	Changan sub-branch	No.286 Changqing South Street, Chang'an Town, Dongguan City	0769-85310223
10	Houjie sub-branch	No.16 Kangle North Road, Houjie Town, Dongguan City	0769-85588841
11	Shatian sub-branch	No.93 Shatai 1st Road, Hengliu, Shatian Town, Dongguan City	0769-88861903
12	Nancheng sub-branch	No.44 Nancheng Road Section, Guantai Road, Dongguan City	0769-22818522
13	Dongcheng sub-branch	No.7 Dongcheng East Road, Dongcheng District, Dongguan City	0769-22239029
14	Liaobu sub-branch	No.2 Jiaoyu Road, Liaobu Town, Dongguan City	0769-83329713
15	Dalingshan sub-branch	Room 101, No.460 Dalingshan Section, Guanchang Road, Dalingshan Town, Dongguan City	0769-83351158
16	Dalang sub-branch	No.568 Meijing Central Road, Dalang Town, Dongguan City	0769-83311102

No.	Name of entity	Address	Telephone
17	Huangjiang sub-branch	No.361 Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83365136
18	Zhangmutou sub-branch	No.111 Guanzhang West Road, Zhangmutou Town, Dongguan City	0769-87719118
19	Qingxi sub-branch	No.2 Xiangmang Central Road, Qingxi Town, Dongguan City	0769-87730998
20	Tangxia sub-branch	No.17 Yingbin Avenue, Tangxia Town, Dongguan City	0769-87728810
21	Fenggang sub-branch	No.69 Yongsheng Street, Fenggang Town, Dongguan City	0769-87750947
22	Xiegang sub-branch	Rooms 101-601, No.1 Building, No.72 Huayuan Avenue, Xiegang Town, Dongguan City	0769-87765178
23	Changping sub-branch	No.36 Changping Avenue, Changping Town, Dongguan City	0769-83331409
24	Qiaotou sub-branch	No.197 Qiaoguang Avenue (Qiaotou Section), Qiaotou Town, Dongguan City	0769-83342244
25	Hengli sub-branch	No.580 Zhongshan West Road, Hengli Town, Dongguan City	0769-83373924
26	Dongkeng sub-branch	No.74 Dongkeng Avenue, Dongkeng Town, Dongguan City	0769-83880995
27	Qishi sub-branch	No.8 Jiangbin Road, Qishi Town, Dongguan City	0769-86665038
28	Shipai sub-branch	No.297 Shipai Avenue Central, Shipai Town, Dongguan City	0769-86657030
29	Chashan sub-branch	No.82 Caihong Road, Chashan Town, Dongguan City	0769-86641493
30	Shijie sub-branch	No.4 Dongfeng South Road, Shijie Town, Dongguan City	0769-86636495
31	Gaobu sub-branch	No.13 Office Building, New Century Yilongwan Phase III, Xiansha Village, Gaobu Town, Dongguan City	0769-88871317
32	Donglian sub-branch	Building F, First International, No. 200 Hongfu Road, Nancheng Street, Dongguan City	0769-22856679
33	Shilong sub-branch	No.8 Fangzheng Central Road, Shilong, Shilong Town, Dongguan City	0769-86602831
34	Songshanhu Keji sub-branch	Building No.20, Songkeyuan, No.4 Libin Road, Songshan Lake Science and Technology Industrial Park, Dongguan City	0769-22891811
35	Binhai Bay New District sub-branch	Room 106, Building 1, No.1 Bay Area Avenue, Binhai Bay New District, Dongguan City	0769-88007788
36	Huizhou sub-branch	Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City	0752-2169686
37	Qingxin sub-branch	Shops 101, 1/F, Kaixuancheng, No.38 Jianshe Road South, Taihe Town, Qingxin District, Qingyuan City	0763-5206869
38	Nansha branch in Guangdong Pilot Free Trade Zone	Room 311, 312, 313, 314, podium building, Block 17, Zhonghui Bilong Bay, No. 3 Wangjiang 2nd Street, Nansha District, Guangzhou City	020-39391183
39	Hengqin branch in Guangdong Pilot Free Trade Zone	Room 3103, Block 2, No.88 Gangao Avenue, Hengqin New District, Zhuhai City	0756-2992623

Note: The list contains the tier-one branches and sub-branches only and subsidiaries are not included.

X. RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to the Guidelines for Comprehensive Risk Management of Financial Institutions in the Banking Industry (《銀行業金融機構全面風險管理指引》) issued by the CBRC, the Bank continuously identifies and assesses the credit risk, liquidity risk, market risk, operation risk, compliance risk, legal risk, money laundering risk, information technology risk, reputation risk, strategic risk and other main risks which the Bank and its subsidiaries expose to, and prudently analyzes critic issues exposed to and formulates corresponding management measures, and reports to the senior management and the Board of Directors in time. Upon review by the Board of Directors, the Bank's comprehensive risk management system is adequate and effective, and all types of risks are at reasonable levels. At the same time, the comprehensive risk management system that the Bank assisted its subsidiaries in establishing is also effective and in line with their own positioning.

In accordance with the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and relevant regulations and under the guidance of the Board of Directors and the Audit Committee of the Board of Directors, the Bank organized and carried out the internal control evaluation in 2023. Upon review by the Board of Directors of the Bank, the internal control system established by the Bank was sound and effective, and was capable of effectively identifying and controlling various risks, and no major deficiency in internal control were found during the Reporting Period.

Since the comprehensive risk management and internal control system is to manage rather than to eliminate the risk of failure to achieve business objectives, the Board of Directors can only make reasonable rather than absolute assurance that there would be no material misstatements or losses.

For details of the Bank's risk management and internal control, please refer to the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

XI. DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the interim financial statements of 2024, the International Financial Reporting Standards has been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The Board of Directors is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board of Directors has continued to adopt the going concern basis in preparing the financial statements.

XII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Bank did not amend its Articles of Association during the Reporting Period.

XIII. CORPORATE CULTURE

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, and with Party building as guidance, the Bank firmly created the Dongguan Rural Commercial Bank culture that responds to the trend of the times and highlights its own characteristics. Focusing on the business philosophy of "customer-focused, market-oriented and efficiency-oriented", the Bank kept a tight hold on operation and management and unified the value consensus and code of conduct of all employees under the core cultural concept and a corporate culture with distinctive characteristics in an effort to guide and encourage the cadres and employees to march towards the everlasting cultural foundation of the Bank.

XIV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Bank adopted and complied with all code provisions set out in Part 2 of the Corporate Governance Code, except for the following:

Code provision B.2.2 stipulates that every director (including the director with a designated term of office) should be subject to retirement by rotation at least once every three years. Reference is made to the announcement of the Bank dated 4 November 2022, the three-year term of the fourth session of the Board of Directors and Board of Supervisors of the Bank had already expired. The terms of office (except those who resign or are removed during the period) were accordingly extended in accordance with the Articles of Association of the Bank in order to support the related re-election work, and the terms of office of their special committees would also be accordingly extended. The Bank completed the re-election at the 2023 annual general meeting held on 30 May 2024. Thus, as of the end of the Reporting Period, the Bank has complied with Code provision B.2.2 of Part II of the Corporate Governance Code.

Chapter VI

Other Matters



I. 2024 INTERIM PROFIT DISTRIBUTION PLAN

The operating results during the Reporting Period and the financial position as of the end of the Reporting Period are set out in the chapter headed the Financial Report in this Report. No interim dividend will be distributed by the Bank for the Reporting Period.

II. BONDS ISSUED AND REDEEMED

During the Reporting Period, as approved by the Affirmative Decision of Administration License of the People's Bank of China on Granting (Yin Xu Zhun Yu Jue Zi [2024] No. 52), the Bank issued two tranches of bonds in the national inter-bank bond market, namely the first tranche of financial bonds of Dongguan Rural Commercial Bank Co., Ltd. for 2024 of RMB3 billion, and the first tranche of small and micro-enterprise loan specialized financial bonds of Dongguan Rural Commercial Bank Co., Ltd. for 2024 of RMB2 billion respectively, with fixed coupon rates of 2.25% and 2.16% respectively and all with a term of three years.

During the Reporting Period, two tranches of bonds of the Bank matured, namely the first tranche of small and micro-enterprise loan specialized financial bonds of Dongguan Rural Commercial Bank Co., Ltd. for 2021 of RMB2 billion, and the second tranche of small and micro-enterprise loan specialized financial bonds of Dongguan Rural Commercial Bank Co., Ltd. for 2021 of RMB1 billion, with maturity dates of 1 March 2024 and 29 March 2024 respectively. The coupon rates were 3.58% and 3.52% respectively.

III. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND OTHER SIMILAR RIGHTS

The Bank had no convertible security, option, warrant or other similar right during the Reporting Period.

IV. SHARE OPTION SCHEME AND EQUITY INCENTIVE PLAN

During the Reporting Period, the Bank does not have any share option or equity incentive arrangements.

V. MAJOR ASSET ACQUISITIONS, SALES AND BUSINESS MERGERS

During the Reporting Period, the Bank considered and approved the mergers by absorption of Huizhou Zhongkai Dongying County Bank and Dongguan Dalang Dongying County Bank at the 2023 annual general meeting held on 30 May 2024. Please refer to the circular of the Bank dated 9 May 2024 for details. Except as disclosed in this report, during the Reporting Period, the Bank did not have any other major asset acquisitions, disposals, or corporate mergers.

VI. SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS

During the Reporting Period, save as disclosed in this Report, the Bank had no other significant investments or plans for significant investments requiring disclosure.

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report.

VIII. SIGNIFICANT LITIGATION AND ARBITRATION

The Bank involved in certain legal proceedings in the ordinary course of our business, most of which are initiated to recover non-performing loans. As of June 2024, the Bank's new loans with a principal amount of more than or equal to RMB10 million in the year involving RMB1,462.85 million as a plaintiff or applicant (including litigation and arbitration). The Bank had no outstanding cases (including litigations and arbitrations) as defendant or respondent with an additional target amount of more than or equal to RMB10 million for the year. The Bank will continue to follow up on the disposal of the above cases. The above litigations and arbitrations will not have any material adverse impact on the financial or operating results of the Bank.

IX. PUNISHMENT OF THE BANK AND THE DIRECTORS AND SUPERVISORS, SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, none of the Bank, or its Directors, Supervisors and senior management members had been subject to sanctions, and criticism by the CSRC, or had been subject to any penalty by other regulatory bodies that caused a significant impact on the Bank's operation.

X. SIGNIFICANT EVENTS OF SUBSIDIARIES

During the Reporting Period, there were no material matters in respect of the subsidiaries other than those disclosed in this Report.

XI. SUBSEQUENT EVENTS

Subsequent to the Reporting Period, the Bank did not have any events or cases that had a significant impact on the Bank.

Chapter VII Financial Report



Review report to the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial report set out on pages 105 to 192 which comprises the consolidated statement of financial position of Dongguan Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG
Certified Public Accountants

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

29 August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 — unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2024	2023
Interest income	4	11,164,440	11,502,213
Interest expense	4	(6,461,334)	(6,141,971)
Net interest income		4,703,106	5,360,242
Fee and commission income	5	431,598	553,472
Fee and commission expense	5	(150,149)	(104,945)
Net fee and commission income		281,449	448,527
Net trading gains	6	848,537	623,612
Net gains on financial instruments	7	509,945	740,365
Other operating income	8	55,145	92,454
Operating income		6,398,182	7,265,200
Operating expenses	9	(2,058,472)	(2,156,532)
Credit impairment losses	11	(901,221)	(1,141,975)
Operating profit		3,438,489	3,966,693
Share of profits of associates	19	18,951	31,722
Profit before tax		3,457,440	3,998,415
Income tax expense	12	(78,709)	(323,138)
Net profit for the period		3,378,731	3,675,277
Net profit attributable to:			
Shareholders of the Bank		3,169,894	3,582,891
Non-controlling interests		208,837	92,386

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2024 — unaudited

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

	Notes	Six months ended 30 June	
		2024	2023
Other comprehensive income items which may be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		1,230,565	320,163
Credit impairment provision for financial assets at fair value through other comprehensive income		(39,514)	(117,786)
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		(297,763)	(50,594)
Items will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		38,422	(15,878)
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		(9,606)	3,970
Other comprehensive income for the period, net of tax		922,104	139,875
Total comprehensive income for the period		4,300,835	3,815,152
Total comprehensive income for the period attributable to:			
Shareholders of the Bank		4,042,570	3,700,599
Non-controlling interests		258,265	114,553
Total comprehensive income for the period		4,300,835	3,815,152
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	13	0.46	0.52

The notes on pages 112 to 192 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2024 — unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 June 2024	As at 31 December 2023
Assets			
Cash and balances with the central bank	14	37,139,581	36,935,315
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15	18,054,652	17,566,453
Derivative financial assets		522,258	436,283
Loans and advances to customers	16	367,238,218	342,511,915
Financial investments	17	304,561,304	301,218,535
— Financial investments at fair value through profit or loss		50,569,435	52,836,715
— Financial investments at amortised cost		127,913,456	137,226,078
— Financial investments at fair value through other comprehensive income		126,078,413	111,155,742
Investment in associates	19	638,963	633,467
Property and equipment	20	2,317,524	2,307,417
Right-of-use assets	21	972,872	992,821
Goodwill	22	520,521	520,521
Deferred tax assets	23	4,419,221	4,710,374
Other assets	24	1,535,129	1,020,491
Total assets		737,920,243	708,853,592
Liabilities			
Borrowings from the central bank	25	38,218,392	38,479,208
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	26	34,978,027	39,403,137
Financial liabilities at fair value through profit or loss	27	2,532,537	1,325,544
Derivative financial liabilities		523,140	458,261
Deposits from customers	28	516,393,170	495,743,888
Debt securities issued	29	79,613,835	71,831,971
Taxes payable	30	318,626	304,574
Lease liabilities	21	496,147	514,609
Other liabilities	31	4,936,879	3,303,863
Total liabilities		678,010,753	651,365,055

The notes on pages 112 to 192 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 30 June 2024 — unaudited

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

	Notes	As at 30 June 2024	As at 31 December 2023
Equity			
Share capital	32	6,888,546	6,888,546
Capital reserve	33	6,342,779	6,342,779
Revaluation reserve	34	1,734,366	850,285
Surplus reserve	35	8,829,850	8,829,850
General reserve	35	7,422,108	7,422,108
Retained earnings		25,648,845	24,315,819
Total equity attributable to shareholders of the Bank		56,866,494	54,649,387
Non-controlling interests		3,042,996	2,839,150
Total equity		59,909,490	57,488,537
Total liabilities and equity		737,920,243	708,853,592

Approved and authorised for issue by the Board of Directors 29 August 2024.

Lu Guofeng
Chairman

Fu Qiang
President

Zhong Guobo
Person-in-charge of
Accounting

Zhong Xuemei
Head of the Accounting
Department

The notes on pages 112 to 192 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank							Non-controlling interests	Total
	Note	Share capital (Note 32)	Capital reserve (Note 33)	Revaluation reserve (Note 34)	Surplus reserve (Note 35)	General reserve (Note 35)	Retained earnings		
As at 1 January 2024		6,888,546	6,342,779	850,285	8,829,850	7,422,108	24,315,819	2,839,150	57,488,537
Net profit for the period		—	—	—	—	—	3,169,894	208,837	3,378,731
Other comprehensive income		—	—	872,676	—	—	—	49,428	922,104
Total comprehensive income		—	—	872,676	—	—	3,169,894	258,265	4,300,835
Appropriation to surplus reserve		—	—	—	—	—	—	—	—
Appropriation to general reserve		—	—	—	—	—	—	—	—
Dividend distribution	36	—	—	—	—	—	(1,825,463)	(54,419)	(1,879,882)
Other comprehensive income transferred to retained earnings		—	—	11,405	—	—	(11,405)	—	—
As at 30 June 2024		6,888,546	6,342,779	1,734,366	8,829,850	7,422,108	25,648,845	3,042,996	59,909,490
As at 1 January 2023		6,888,546	6,230,429	604,567	8,323,435	6,915,566	22,165,171	2,692,215	53,819,929
Net profit for the period		—	—	—	—	—	3,582,891	92,386	3,675,277
Other comprehensive income		—	—	117,708	—	—	—	22,167	139,875
Total comprehensive income		—	—	117,708	—	—	3,582,891	114,553	3,815,152
Appropriation to surplus reserve		—	—	—	—	—	—	—	—
Appropriation to general reserve		—	—	—	—	—	—	—	—
Dividend distribution	36	—	—	—	—	—	(1,997,678)	(55,815)	(2,053,493)
As at 30 June 2023		6,888,546	6,230,429	722,275	8,323,435	6,915,566	23,750,384	2,750,953	55,581,588

The notes on pages 112 to 192 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2024 — unaudited

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

	Notes	Six months ended 30 June	
		2024	2023
Cash flows from operating activities:			
Profit before tax		3,457,440	3,998,415
Adjust for:			
Credit impairment losses	11	901,221	1,141,975
Interest income from financial investments	4	(3,213,692)	(3,031,236)
Interest expense on debt securities issued	4	929,542	907,523
Interest expense on lease liabilities	4	8,749	9,663
Net trading gains	6	(832,545)	(593,655)
Net gains on financial instruments	7	(509,945)	(740,365)
Net gains on disposal of property, equipment and other long-term assets	8	(300)	(5,506)
Depreciation and amortisation	9	208,427	217,063
Share of profits of associates	19	(18,951)	(31,722)
Unrealized foreign exchange gains		5,215	(134,311)
Others		(25,178)	(11,558)
		909,983	1,726,286
Net increase in operating assets:			
Net decrease/(increase) in balances with the central bank		602,652	(3,938)
Net (increase)/decrease in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		(2,742,051)	137,092
Net increase in loans and advances to customers		(25,437,758)	(22,516,946)
Net (increase)/decrease in other operating assets		(371,115)	135,389
		(27,948,272)	(22,248,403)
Net increase in operating liabilities:			
Net (decrease)/increase in borrowings from the central bank		(192,515)	4,195,106
Net decrease in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		(4,827,716)	(23,554,806)
Net increase in deposits from customers		20,608,900	26,756,967
Net (decrease)/increase in other operating liabilities		(238,201)	830,122
		15,350,468	8,227,389
Cash used in from operating activities		(11,687,821)	(12,294,728)
Income tax paid		(71,009)	(348,764)
Net cash used in from operating activities		(11,758,830)	(12,643,492)

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024 — unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2024	2023
Cash flows from investing activities:			
Cash received from investment income and disposal of financial investments		176,674,666	165,420,939
Net cash received from disposal of property, equipment and other long-term assets		2,698	4,812
Cash dividends received		40,425	41,657
Cash paid to acquire financial investments		(173,008,036)	(170,649,219)
Cash paid to acquire property, equipment and other long-term assets		(104,850)	(55,851)
Net cash generated from/(used in) investing activities		3,604,903	(5,237,662)
Cash flows from financing activities:			
Cash received for debt securities issued		79,989,122	64,235,862
Cash payments for debt securities issued		(73,136,800)	(47,645,600)
Cash payments for distribution of dividends		(83,822)	(2,053,489)
Cash payments for leases		(69,098)	(69,217)
Net cash generated from financing activities		6,699,402	14,467,556
Effect of foreign exchange rate changes on cash and cash equivalents		8,467	24,119
Net decrease in cash and cash equivalents		(1,446,058)	(3,389,479)
Cash and cash equivalents at the beginning of the period		23,308,600	26,586,354
Cash and cash equivalents at the end of the period	37	21,862,542	23,196,875

The notes on pages 112 to 192 form part of these financial statements.

Notes to the Consolidated Interim Financial Report

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

1 General information

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperative Union (“Dongguan Cooperative Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (In 2023, the regulator was renamed the National Financial Regulatory Administration, hereinafter referred to as the “NFRA”), Dongguan Cooperative Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on 22 December 2009.

The Bank operates under financial services certificate NO. B1054H344190001 issued by the NFRA, and the Business License (registration ID: 914419007829859746) issued by the State Administration for Market Regulation (formerly the State Administration for Industry and Commerce of the People’s Republic of China). The registered address is Hongfu East Road No. 2, Dongcheng Street, Dongguan, Guangdong. On 29 September 2021, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 09889.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by the NFRA.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorized for issue on 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Notes to the Consolidated Interim Financial Report *(Continued)*

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

2 Basis of preparation *(continued)*

The interim financial report is unaudited but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board (“IAASB”).

The financial information relating to the financial year ended 31 December 2023, that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IFRS 7 and IAS 7, Supplier finance arrangements

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2024	2023
Interest income		
Balances with the central bank	209,801	218,364
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	328,638	222,923
Loans and advances to customers	7,412,309	8,029,690
Financial investments	3,213,692	3,031,236
Sub-total	11,164,440	11,502,213
Interest expense		
Borrowings from the central bank	(459,546)	(308,468)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(559,102)	(446,371)
Deposits from customers	(4,504,395)	(4,469,946)
Debt securities issued	(929,542)	(907,523)
Lease liabilities	(8,749)	(9,663)
Sub-total	(6,461,334)	(6,141,971)
Net interest income	4,703,106	5,360,242

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2024	2023
Fee and commission income		
Wealth management agency services	150,654	151,043
Custodian and other fiduciary	104,103	221,577
Bank cards	101,986	97,082
Settlement and clearing services	30,951	25,213
Others	43,904	58,557
Sub-total	431,598	553,472
Fee and commission expense		
Transaction services	(72,830)	(27,798)
Settlement and clearing services	(53,951)	(47,782)
Platform cooperation services	(22,971)	(23,029)
Others	(397)	(6,336)
Sub-total	(150,149)	(104,945)
Net fee and commission income	281,449	448,527

6 Net trading gains

	Six months ended 30 June	
	2024	2023
Net gains on financial assets held for trading	840,540	596,373
Exchange gains	14,015	29,743
Gains on precious metal	1,977	214
Financial liabilities at fair value through profit or loss	(7,995)	(2,718)
Total	848,537	623,612

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

7 Net gains on financial instruments

	Note	Six months ended 30 June	
		2024	2023
Net gains on financial assets at fair value through other comprehensive income		277,094	389,603
Net gains on financial assets at fair value through profit or loss		153,141	295,129
Net gains on derecognition of financial investments measured at amortised cost		162,587	23,844
Dividend income from equity instruments		35,373	36,645
Others	27(a)	(118,250)	(4,856)
Total		509,945	740,365

8 Other operating income

	Note	Six months ended 30 June	
		2024	2023
Government grants	(a)	39,133	66,805
Rental income		13,402	16,988
Gains on disposal of property, equipment and other long-term assets		300	5,506
Others		2,310	3,155
Total		55,145	92,454

(a) Government grants mainly comprise incentives for inclusive loans support tool to small and micro enterprises and job stabilization subsidies from Municipal Governments.

9 Operating expenses

	Note	Six months ended 30 June	
		2024	2023
Staff costs	10	1,457,367	1,565,017
General and administrative expenses		340,261	312,394
Depreciation and amortisation		208,427	217,063
Taxes and surcharges		49,750	59,677
Auditors' remuneration		2,667	2,381
— Audit service		2,431	2,324
— Non-audit service		236	57
Total		2,058,472	2,156,532

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

10 Staff costs

	Six months ended 30 June	
	2024	2023
Salaries, bonuses, allowances and subsidies	1,052,670	1,119,709
Social benefits and others	321,391	362,646
Enterprise annuity scheme	62,276	60,355
Labour union funds and employee education funds	21,030	22,307
Total	1,457,367	1,565,017

11 Credit impairment losses

	Six months ended 30 June	
	2024	2023
Loans and advances to customers		
— Measured at amortised cost	897,868	1,111,294
— Measured at fair value through other comprehensive income	1,492	(12,752)
Financial investments		
— Measured at amortised cost	(1,279)	(6,954)
— Measured at fair value through other comprehensive income	(24,905)	38,499
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	(2,607)	(4,206)
Loan commitments and guarantee contracts	(36,809)	19,105
Other assets	67,461	(3,011)
Total	901,221	1,141,975

12 Income tax expense

	Note	Six months ended 30 June	
		2024	2023
Current income tax		112,055	410,641
Deferred income tax	23	(16,216)	(175,524)
Tax filing differences		(17,130)	88,021
Total		78,709	323,138

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

12 Income tax expense (continued)

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

	Notes	Six months ended 30 June	
		2024	2023
Profit before tax		3,457,440	3,998,415
Income tax calculated at statutory tax rate of 25%		864,360	999,604
Tax effect of income non-taxable for tax purpose	(a)	(729,322)	(672,376)
Share of profits of associates		(4,738)	(7,931)
Non-deductible expenses		18,375	13,400
Recognition of previously unrecognised deductible temporary differences		—	(91,189)
Reversal of previously recognized deferred tax assets		16,146	—
Tax effect of unused tax losses not recognised		(76,222)	(5,640)
Current-year losses for which no deferred tax asset is recognised		4,438	—
Effect of preferential tax rate applicable to a subsidiary	(b)	2,802	(751)
Adjustments for current tax of prior periods		(17,130)	88,021
Income tax expense		78,709	323,138

- (a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.
- (b) According to *Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development* (Cai Shui Fa [2020] No. 23), Hezhou Babu Dongying County Bank Co., Ltd., the Group's subsidiary, is entitled to a preferential income tax rate of 15% from 1 January 2021 to 31 December 2030.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

13 Basic and diluted earnings per share

- (a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the period.

	Six months ended 30 June	
	2024	2023
Net profit attributable to the shareholders of the Bank (RMB'000)	3,169,894	3,582,891
Weighted average number of ordinary shares (thousand shares)	6,888,546	6,888,546
Basic earnings per share (RMB)	0.46	0.52

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

14 Cash and balances with the central bank

	Notes	As at 30 June 2024	As at 31 December 2023
Cash		2,438,927	2,478,099
Mandatory reserve deposits with the central bank	(a)	24,903,894	25,409,414
Surplus reserve deposits	(b)	9,659,323	8,811,540
Other deposits with the central bank	(c)	126,504	223,057
Sub-total		37,128,648	36,922,110
Accrued interest		10,933	13,205
Total		37,139,581	36,935,315

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

14 Cash and balances with the central bank (continued)

- (a) Mandatory reserve deposits with the central bank represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. As at each of the balance sheet dates, the deposit ratios for the reserve of the Bank were as follows, respectively:

	As at 30 June 2024	As at 31 December 2023
Mandatory reserve rate for deposits denominated in RMB	5.00%	5.25%
Mandatory reserve rate for deposits denominated in foreign currencies	4.00%	4.00%

The aforementioned mandatory reserve deposits with the central bank cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

- (b) Surplus reserve deposits with the central bank are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central bank primarily represent fiscal deposits that are not available for use in the Group's daily operations.

Notes to the Consolidated Interim Financial Report *(Continued)*

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

15 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

	<i>Note</i>	As at 30 June 2024	As at 31 December 2023
Deposits with domestic banks and other financial institutions		2,906,017	4,169,735
Deposits with overseas banks and other financial institutions		1,356,685	1,235,082
Placements with domestic banks and other financial institutions		11,988,792	10,850,000
Bonds held under resale agreements	(a)	1,831,215	1,340,450
Sub-total		18,082,709	17,595,267
Accrued interest		18,036	19,859
Provision for impairment losses		(46,093)	(48,673)
Total		18,054,652	17,566,453

- (a) As at the end of the reporting period, the Group did not use financial assets held under resale agreements as mortgaged or pledged assets for repurchase agreements with other financial institutions.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

16 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
— Corporate loans	209,783,139	196,487,854
— Discounted bills	6,205,543	5,877,083
Sub-total	<u>215,988,682</u>	<u>202,364,937</u>
Personal loans and advances		
— Business loans	46,500,528	44,272,043
— Property mortgages	40,337,937	38,863,183
— Personal consumption loans	35,517,874	35,337,953
— Credit cards	4,642,357	4,921,478
Sub-total	<u>126,998,696</u>	<u>123,394,657</u>
Accrued interest	654,312	730,437
Total loans and advances to customers measured at amortised cost	<u>343,641,690</u>	326,490,031
Impairment provision for loans and advances measured at amortised cost	<u>(13,338,848)</u>	<u>(13,291,864)</u>
Net book value of loans and advances to customers at amortised cost	<u>330,302,842</u>	313,198,167
Loans and advances to customers at fair value through other comprehensive income		
Corporate loans and advances		
— Inter-bank discounted bills	20,742,024	21,951,825
— Forfaiting	8,380,750	7,361,923
Loans and advances to customers at fair value through profit or loss		
Corporate loans and advances		
— Inter-bank discounted bills	7,812,602	—
Net loans and advances to customers	<u>367,238,218</u>	<u>342,511,915</u>

As at 30 June 2024, the credit impairment losses rate for loans and advances to customers at amortised cost of the Group was 3.88% (31 December 2023: 4.07%).

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

16 Loans and advances to customers (continued)

- (b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

Loans and advances to customers measured at amortised cost	Notes	Stage 1	Stage 2	Stage 3	Total
		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2024		4,801,711	3,134,574	5,355,579	13,291,864
Net transfers in:					
— Stage 1		(40,618)	—	—	(40,618)
— Stage 2		—	(1,244,676)	—	(1,244,676)
— Stage 3		—	—	1,285,294	1,285,294
Originated or purchased		778,712	—	—	778,712
Remeasurement	(i)	(1,143,345)	1,155,132	2,372,993	2,384,780
Repayment or transfer out		(1,207,918)	(235,028)	(363,049)	(1,805,995)
Write-off	(ii)	—	—	(1,310,513)	(1,310,513)
As at 30 June 2024		<u>3,188,542</u>	<u>2,810,002</u>	<u>7,340,304</u>	<u>13,338,848</u>
As at 1 January 2023		4,034,119	1,222,647	5,663,233	10,919,999
Net transfers in:					
— Stage 1		(78,023)	—	—	(78,023)
— Stage 2		—	310,600	—	310,600
— Stage 3		—	—	(232,577)	(232,577)
Originated or purchased		1,737,459	—	—	1,737,459
Remeasurement	(i)	609,515	1,913,604	2,152,550	4,675,669
Repayment or transfer out		(1,501,359)	(312,277)	(688,486)	(2,502,122)
Write-off	(ii)	—	—	(1,539,141)	(1,539,141)
As at 31 December 2023		<u>4,801,711</u>	<u>3,134,574</u>	<u>5,355,579</u>	<u>13,291,864</u>

For the period ended 30 June 2024 and the year ended 31 December 2023, all the movements in expected credit losses allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

- (i) Remeasurement are caused by parameter changes or transfers between stages.
- (ii) The contractual amount outstanding on loans and advances to customers that were written off during the period ended 30 June 2024 that are still subject to enforcement activity is RMB1,238 million (31 December 2023: RMB1,539 million).

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

16 Loans and advances to customers (continued)

(c) Loans and advances to customers by assessment type:

As at 30 June 2024	Carrying amounts				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Not Applicable	
Total loans and advances to customers measured at amortised cost	322,798,005	11,934,607	8,909,078	—	343,641,690
Provision for impairment losses	(3,188,542)	(2,810,002)	(7,340,304)	—	(13,338,848)
Net loans and advances to customers measured at amortised cost	319,609,463	9,124,605	1,568,774	—	330,302,842
Total loans and advances to customers at fair value through other comprehensive income	29,122,774	—	—	—	29,122,774
Total loans and advances to customers at fair value through profit or loss	—	—	—	7,812,602	7,812,602
Net loans and advances to customers	348,732,237	9,124,605	1,568,774	7,812,602	367,238,218

As at 31 December 2023	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortised cost	310,071,484	9,722,119	6,696,428	326,490,031
Provision for impairment losses	(4,801,711)	(3,134,574)	(5,355,579)	(13,291,864)
Net loans and advances to customers measured at amortised cost	305,269,773	6,587,545	1,340,849	313,198,167
Total loans and advances to customers at fair value through other comprehensive income	29,313,748	—	—	29,313,748
Net loans and advances to customers	334,583,521	6,587,545	1,340,849	342,511,915

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

17 Financial investments

	Notes	As at 30 June 2024	As at 31 December 2023
Financial investments at fair value through profit or loss	(a)	50,569,435	52,836,715
Financial investments at amortised cost	(b)	127,913,456	137,226,078
Financial investments at fair value through other comprehensive income	(c)	126,078,413	111,155,742
Total		304,561,304	301,218,535

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

	Notes	As at 30 June 2024	As at 31 December 2023
Debt securities listed in Mainland China	(i)		
— Government bonds		12,883,885	16,759,787
— Financial institution bonds		9,086,354	6,565,463
— Corporate bonds		126,602	152,766
— Interbank certificates of deposits		1,037,419	1,189,287
Sub-total		23,134,260	24,667,303
Fund Investments		25,661,820	26,429,513
Trust beneficiary rights	(ii)	1,773,355	1,739,899
Sub-total		27,435,175	28,169,412
Total		50,569,435	52,836,715

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed in Mainland China”.

(ii) As at the end of the reporting period, trust beneficiary rights are invested in loan, foreclosed assets.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

17 Financial investments (continued)

(b) Financial investments at amortised cost

	As at 30 June 2024	As at 31 December 2023
Debt securities listed in Mainland China		
— Government bonds	98,878,469	105,632,540
— Financial institution bonds	27,304,879	29,753,844
— Corporate bonds	66,508	116,624
— Interbank certificates of deposits	—	99,334
Sub-total	<u>126,249,856</u>	135,602,342
Certificate treasury bonds	<u>349,347</u>	269,012
Accrued interest	1,690,460	1,732,208
Provision for impairment losses	<u>(376,207)</u>	<u>(377,484)</u>
Total	<u><u>127,913,456</u></u>	<u><u>137,226,078</u></u>

(i) Analyzed by movements in loss allowance:

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024		374,843	2,641	—	377,484
Net transfers in:					
— Stage 1		—	—	—	—
— Stage 2		—	—	—	—
— Stage 3		—	—	—	—
Originated or purchased		34,999	—	—	34,999
Remeasurement	(1)	(2,782)	73	—	(2,709)
Repayment or transfer out		(33,567)	—	—	(33,567)
As at 30 June 2024		<u>373,493</u>	<u>2,714</u>	—	<u>376,207</u>
As at 1 January 2023		450,707	5,234	—	455,941
Net transfers in:					
— Stage 1		—	—	—	—
— Stage 2		—	—	—	—
— Stage 3		—	—	—	—
Originated or purchased		131,111	—	—	131,111
Remeasurement	(1)	(101,598)	23	—	(101,575)
Repayment or transfer out		(105,377)	(2,616)	—	(107,993)
As at 31 December 2023		<u>374,843</u>	<u>2,641</u>	—	<u>377,484</u>

(1) Remeasurement are caused by parameter changes or transfers between stages.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

17 Financial investments (continued)

(c) Financial investments at fair value through other comprehensive income

	As at 30 June 2024	As at 31 December 2023
Debt securities listed in Mainland China		
— Government bonds	104,562,266	91,558,855
— Financial institution bonds	17,038,965	14,956,383
— Corporate bonds	779,651	1,191,569
— Interbank certificates of deposit	1,339,823	794,913
Sub-total	123,720,705	108,501,720
Trust beneficiary rights	43,618	29,236
Equity instruments designated at fair value through other comprehensive income		
— Listed equity investments	11,466	84,433
— Unlisted equity investments	1,019,469	954,772
Sub-total	1,030,935	1,039,205
Accrued interest	1,283,155	1,585,581
Total	126,078,413	111,155,742

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

17 Financial investments (continued)

(c) Financial investments at fair value through other comprehensive income (continued)

(i) Analyzed by movements in loss allowance:

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024		161,113	5,314	1,408,556	1,574,983
Net transfers in:					
— Stage 1		5,314	—	—	5,314
— Stage 2		—	(5,314)	—	(5,314)
— Stage 3		—	—	—	—
Originated or purchased		44,538	—	—	44,538
Remeasurement	(1)	(8,705)	—	(27,209)	(35,914)
Repayment or transfer out		(42,532)	—	(7,098)	(49,630)
As at 30 June 2024		159,728	—	1,374,249	1,533,977
As at 1 January 2023		225,116	36,620	1,749,963	2,011,699
Net transfers in:					
— Stage 1		(235)	—	—	(235)
— Stage 2		—	235	—	235
— Stage 3		—	—	—	—
Originated or purchased		88,295	—	—	88,295
Remeasurement	(1)	(23,921)	5,080	15,806	(3,035)
Repayment or transfer out		(128,142)	(36,621)	(101,996)	(266,759)
Write-off		—	—	(255,217)	(255,217)
As at 31 December 2023		161,113	5,314	1,408,556	1,574,983

(1) Remeasurement are caused by parameter changes or transfers between stages.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

18 Subsidiaries

	As at 30 June 2024	As at 31 December 2023
Investment cost	3,735,487	3,735,487

Subsidiaries invested by the Bank are set out below:

Name of entity	Notes	Date and place of incorporation/ establishment	Authorized/paid-in capital	Percentage of equity interest		Percentage of voting rights		Principal activities
				30 June 2024	31 December 2023	30 June 2024	31 December 2023	
Huizhou Zhongkai Dongying County Bank Co., Ltd.	(a)	13 December 2010 Huizhou, Guangdong	RMB300,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Yunfu Xinxing Dongying County Bank Co., Ltd.		23 December 2011 Yunfu, Guangdong	RMB100,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Hezhou Babu Dongying County Bank Co., Ltd.		8 August 2012 Hezhou, Guangxi	RMB100,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Dongguan Dalang Dongying County Bank Co., Ltd.	(a)/(b)	25 June 2012 Dongguan, Guangdong	RMB100,000,000	35.00%	35.00%	35.00%	51.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd.	(c)	26 October 2019 Zhanjiang, Guangdong	RMB1,655,000,000	49.41%	49.41%	49.41%	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd.		27 December 2020 Shantou, Guangdong	RMB1,202,000,000	67.03%	67.03%	67.03%	67.03%	Banking

- (a) Guangdong Office of The National Financial Regulatory Administration instructed the Bank to merge Dongguan Dalang Dongying County Bank Co., Ltd. (“Dalang Dongying”) and Huizhou Zhongkai Dongying County Bank Co., Ltd. (“Huizhou Zhongkai”). On 20 June 2024, “the Approval of Guangdong Office of The National Financial Regulatory Administration on Dongguan Dalang Dongying County Bank Co., Ltd. merged by Dongguan Rural Commercial Bank Co., Ltd.” (Yue Jin Fu [2024] No. 153) and “the Approval of Guangdong Office of The National Financial Regulatory Administration on Huizhou Zhongkai Dongying County Bank Co., Ltd. merged by Dongguan Rural Commercial Bank Co., Ltd.” (Yue Jin Fu [2024] No. 152) were issued by Guangdong Office of The National Financial Regulatory Administration.

The Bank had signed the share transfer agreements with the shareholders corresponding to the remaining 65.00% of the equity interest in Dalang Dongying and the remaining 49.00% of the equity interest in Huizhou Zhongkai before 30 June 2024. Dalang Dongying and Huizhou Zhongkai are expected to become wholly owned subsidiaries of the Bank after the change of the shareholder register.

- (b) As of 30 June 2024, the Bank held 35.00% of the equity interest and voting rights of Dalang Dongying. The Bank holds the remaining 65.00% of the equity interest in Dalang Dongying through forward purchase contracts and has substantial power over Dalang Dongying, so that the Bank has control over Dalang Dongying.
- (c) The business combination of Zhanjiang Rural Commercial Bank Co., Ltd. (“Zhanjiang RCB”) was completed on 26 October 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

19 Investment in associates

	Six months ended 30 June 2024	Year ended 31 December 2023
Opening balance	633,467	480,421
Share of changes of other reserves	—	112,350
Share of net profits	18,951	51,858
Dividends received	(13,455)	(11,162)
Ending balance	<u>638,963</u>	<u>633,467</u>

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarised below:

Investee	Notes	Place of registration	Assets	Net assets	Revenue for the current period/year	Net profit for the current period/year	Shareholding	Share of net profits
As at 30 June 2024								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	79,159,113	5,949,756	689,526	123,981	7.62%	9,447
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	11,638,787	1,004,610	143,323	54,974	8.00%	4,398
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	12,642,264	1,001,444	204,045	64,305	7.94%	5,106
As at 31 December 2023								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	73,257,631	5,874,288	1,454,280	489,800	7.62%	37,322
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	11,355,891	1,020,946	261,442	76,885	8.00%	6,151
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	11,847,116	967,468	389,492	105,600	7.94%	8,385

- (a) One of the nine members of the board of directors of Ya'an Rural Commercial Bank Co., Ltd. ("Ya'an RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Ya'an RCB and accounts for Ya'an RCB as an associate.
- (b) One of the nine members of the board of directors of Guangdong Lechang Rural Commercial Bank Co., Ltd. ("Lechang RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) One of the nine members of the board of directors of Guangdong Xuwen Rural Commercial Bank Co., Ltd. ("Xuwen RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Xuwen RCB and accounts for Xuwen RCB as an associate.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

20 Property and equipment

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2024	2,702,261	39,663	1,108,851	858,058	4,708,833
Addition	597	—	18,770	113,537	132,904
Transfers in/(out)	—	—	641	(14,761)	(14,120)
Disposal	(2,318)	(549)	(31,876)	—	(34,743)
As at 30 June 2024	2,700,540	39,114	1,096,386	956,834	4,792,874
Accumulated depreciation					
As at 1 January 2024	(1,325,456)	(37,074)	(1,038,029)	—	(2,400,559)
Depreciation	(76,120)	(995)	(30,242)	—	(107,357)
Disposal	998	549	31,876	—	33,423
As at 30 June 2024	(1,400,578)	(37,520)	(1,036,395)	—	(2,474,493)
Provision for impairment losses					
As at 1 January 2024	(857)	—	—	—	(857)
Charge for the period	—	—	—	—	—
As at 30 June 2024	(857)	—	—	—	(857)
Net book value					
As at 30 June 2024	1,299,105	1,594	59,991	956,834	2,317,524

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

20 Property and equipment (continued)

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2023	2,679,498	38,662	1,127,418	862,967	4,708,545
Addition	6,710	4,569	30,878	25,082	67,239
Transfers in/(out)	16,053	—	8,135	(24,188)	—
Disposal	—	(3,568)	(57,580)	(5,803)	(66,951)
As at 31 December 2023	2,702,261	39,663	1,108,851	858,058	4,708,833
Accumulated depreciation					
As at 1 January 2023	(1,162,927)	(37,265)	(1,031,792)	—	(2,231,984)
Depreciation	(162,529)	(3,376)	(61,273)	—	(227,178)
Disposal	—	3,567	55,036	—	58,603
As at 31 December 2023	(1,325,456)	(37,074)	(1,038,029)	—	(2,400,559)
Provision for impairment losses					
As at 1 January 2023	(857)	—	—	—	(857)
Charge for the year	—	—	—	—	—
As at 31 December 2023	(857)	—	—	—	(857)
Net book value					
As at 31 December 2023	1,375,948	2,589	70,822	858,058	2,307,417

As at 30 June 2024, The property rights of buildings in the Group with original costs of RMB492 million and net values at RMB86 million are defective. (31 December 2023: original costs of RMB490 million and net values at RMB96 million).

All properties of the Group are located in the mainland of China.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

21 Right-of-use assets and lease liabilities

	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2024	718,245	2,904	769,283	1,490,432
Increase	38,688	4,059	—	42,747
Decrease	(26,710)	(473)	—	(27,183)
As at 30 June 2024	730,223	6,490	769,283	1,505,996
Accumulated depreciation				
As at 1 January 2024	(275,972)	(1,485)	(217,799)	(495,256)
Increase	(52,858)	(1,382)	(8,456)	(62,696)
Decrease	26,710	473	—	27,183
As at 30 June 2024	(302,120)	(2,394)	(226,255)	(530,769)
Provision for impairment losses				
As at 1 January 2024	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 30 June 2024	—	—	(2,355)	(2,355)
Net book value				
As at 30 June 2024	428,103	4,096	540,673	972,872
Lease liabilities				
Net book value				
As at 30 June 2024	492,009	4,138	—	496,147

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

21 Right-of-use assets and lease liabilities (continued)

	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2023	679,926	5,358	769,283	1,454,567
Increase	232,079	1,002	—	233,081
Decrease	(193,760)	(3,456)	—	(197,216)
As at 31 December 2023	718,245	2,904	769,283	1,490,432
Accumulated depreciation				
As at 1 January 2023	(314,155)	(2,809)	(201,130)	(518,094)
Increase	(106,616)	(2,132)	(16,669)	(125,417)
Decrease	144,799	3,456	—	148,255
As at 31 December 2023	(275,972)	(1,485)	(217,799)	(495,256)
Provision for impairment losses				
As at 1 January 2023	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 31 December 2023	—	—	(2,355)	(2,355)
Net book value				
As at 31 December 2023	442,273	1,419	549,129	992,821
Lease liabilities				
Net book value				
As at 31 December 2023	513,150	1,459	—	514,609

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

22 Goodwill

	Note	As at 30 June 2024	As at 31 December 2023
Zhanjiang Rural Commercial Bank Co., Ltd. (("Zhanjiang RCB")		181,381	181,381
Guangdong Chaoyang Rural Commercial Bank Co., Ltd. ("Chaoyang RCB")		339,140	339,140
Impairment allowance	(i)	—	—
		520,521	520,521

(i) Impairment assessment

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a stable growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporating the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

	Zhanjiang RCB		Chaoyang RCB	
	As at 30 June 2024	As at 31 December 2023	As at 30 June 2024	As at 31 December 2023
Stable period growth rate	2.50%	2.50%	2.50%	2.50%
Pre-tax discount rate	13.08%	13.08%	16.36%	16.36%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyse the recoverable amounts of the asset group within the business division.

The Directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

23 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

(1) Main items of deferred tax assets and liabilities and their movements are as follows:

	Allowance for impairment losses	Changes in fair value of financial assets	Employee benefits payable	Accelerated depreciation of property and equipment	Deductible tax losses	Fair value gain from business combination	Lease liabilities/ Right-of-use assets	Total
As at 1 January 2024	3,497,694	944,228	329,393	(24,033)	29,133	(83,724)	17,683	4,710,374
Recognised in profit or loss	142,121	(106,364)	(24,737)	936	—	6,007	(1,747)	16,216
Recognised in other comprehensive income	9,878	(317,247)	—	—	—	—	—	(307,369)
As at 30 June 2024	<u>3,649,693</u>	<u>520,617</u>	<u>304,656</u>	<u>(23,097)</u>	<u>29,133</u>	<u>(77,717)</u>	<u>15,936</u>	<u>4,419,221</u>
As at 1 January 2023	2,642,715	1,180,762	311,377	(32,163)	30,681	(95,738)	21,913	4,059,547
Recognised in profit or loss	745,047	(38,626)	18,016	8,130	(1,548)	12,014	(4,230)	738,803
Recognised in other comprehensive income	109,932	(197,908)	—	—	—	—	—	(87,976)
As at 31 December 2023	<u>3,497,694</u>	<u>944,228</u>	<u>329,393</u>	<u>(24,033)</u>	<u>29,133</u>	<u>(83,724)</u>	<u>17,683</u>	<u>4,710,374</u>

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

23 Deferred income tax (continued)

- (2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

	As at 30 June 2024		As at 31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:				
Allowance for impairment losses	14,614,461	3,649,693	14,006,455	3,497,694
Changes in fair value of financial assets	2,082,468	520,617	3,776,914	944,228
Employee benefits payable	1,220,307	304,656	1,319,254	329,393
Deductible tax losses	116,530	29,133	116,530	29,133
Lease liabilities	496,147	122,780	514,609	127,298
Sub-total	18,529,913	4,626,879	19,733,762	4,927,746
Deferred tax liabilities:				
Fair value gain from business combination	(310,868)	(77,717)	(334,896)	(83,724)
Accelerated depreciation of property and equipment	(92,389)	(23,097)	(96,131)	(24,033)
Right-of-use assets	(432,199)	(106,844)	(443,692)	(109,615)
Sub-total	(835,456)	(207,658)	(874,719)	(217,372)
Total	17,694,457	4,419,221	18,859,043	4,710,374

As at 30 June 2024, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB854 million (31 December 2023: RMB1,128 million). The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024, 2025, 2026 and 2029.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

24 Other assets

	Notes	As at 30 June 2024	As at 31 December 2023
Interest receivable	(a)	259,301	83,587
Prepayments		228,929	103,716
Research and development expenditure		201,141	157,323
Long-term deferred expenses		197,682	178,333
Foreclosed assets	(b)	174,373	86,310
Precious metals		140,105	86,805
Receivables from disposal of long-term assets		106,244	106,244
Intangible assets — software	(c)	52,950	42,710
Clearing and settlement		30,929	16,494
Investment properties	(d)	8,064	8,898
Others		135,411	150,071
Total		1,535,129	1,020,491

(a) Interest receivable

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers	321,119	95,318
Financial investments	112,757	112,638
Provision for impairment losses	(174,575)	(124,369)
Total	259,301	83,587

(b) Foreclosed assets

	As at 30 June 2024	As at 31 December 2023
Property and equipment	363,050	274,986
Land use rights	107,460	107,461
Sub-total	470,510	382,447
Provision for impairment losses	(296,137)	(296,137)
Total	174,373	86,310

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

24 Other assets (continued)

(c) Intangible assets — software

	As at 30 June 2024	As at 31 December 2023
Cost		
Opening balance	223,952	196,594
Addition	26,016	27,358
Decrease	—	—
Ending balance	<u>249,968</u>	<u>223,952</u>
Accumulated amortisation		
Opening balance	(181,242)	(151,059)
Amortisation	(15,776)	(30,183)
Decrease	—	—
Ending balance	<u>(197,018)</u>	<u>(181,242)</u>
Net book value		
Ending balance	<u>52,950</u>	<u>42,710</u>

(d) Investment properties

	As at 30 June 2024	As at 31 December 2023
Cost		
Opening balance	67,237	67,237
Disposal	(2,309)	—
Ending balance	<u>64,928</u>	<u>67,237</u>
Accumulated depreciation		
Opening balance	(58,339)	(56,672)
Depreciation	(834)	(1,667)
Decrease	2,309	—
Ending balance	<u>(56,864)</u>	<u>(58,339)</u>
Net book value		
Ending balance	<u>8,064</u>	<u>8,898</u>

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

25 Borrowings from the central bank

	As at 30 June 2024	As at 31 December 2023
Medium-term lending facility	24,000,000	24,800,000
Refinancing loans	13,504,272	13,007,760
Re-discounted bills	411,060	300,087
Sub-total	37,915,332	38,107,847
Accrued interest	303,060	371,361
Total	38,218,392	38,479,208

As at the end of the reporting period, borrowings from the central bank were refinancing loans, re-discounted bills and medium-term lending facility. The collateral provided by the Group under borrowing agreements are disclosed in Note 39 to this report.

26 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

	<i>Note</i>	As at 30 June 2024	As at 31 December 2023
Deposits from domestic banks		13,750,545	7,108,980
Deposits from other domestic financial institutions		4,239,314	3,417,771
Placements from domestic banks		6,942,085	3,842,859
Bonds sold under repurchase agreements	(a)	9,309,486	20,939,027
Bills sold under repurchase agreements	(a)	600,433	4,009,932
Sub-total		34,841,863	39,318,569
Accrued interest		136,164	84,568
Total		34,978,027	39,403,137

(a) The securities provided by the Group as collateral under repurchase agreements are disclosed in Note 39 to this report.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

27 Financial liabilities at fair value through profit or loss

	Note	As at 30 June 2024	As at 31 December 2023
Sold financing bonds		1,039,340	—
Gold deposit		89,122	27,802
Others	(a)	1,404,075	1,297,742
Total		2,532,537	1,325,544

- (a) On 20 December 2022, the Group has worked with Guangdong Utrust Investment Holdings Co., Ltd. (“Utrust Holdings”) in using the small and medium banks development supporting Special Bonds issued by Guangdong Provincial Government to replenish capital of Guangdong Puning Rural Commercial Bank Co., Ltd. (“Puning RCB”), and entered into transaction agreements in relation to the transfer of the shares of Puning RCB (“Subject Shares”) and the trust beneficial interest (“Subject Beneficial Interest”) with Utrust Holdings. Based on the transaction agreements, the Group shall acquire, by tranches, Subject Shares and the Subject Beneficial Interest held by Utrust Holdings. The total consideration payable by the Group to Utrust Holdings for the acquisition of the Subject Shares and the Subject Beneficial Interest should in any event be capped at the Special Bonds principal and interest plus the corresponding taxes and fees, less the disposal proceeds received. As at 30 June 2024, the shortfall in the discounted value of the future cash flows of Special Bonds Fund that shall be obliged to pay under the transaction agreement less the corresponding asset values of Subject Beneficial Interest and the value of Subject Shares is RMB1.40 billion (31 December 2023: RMB1.30 billion).

28 Deposits from customers

	As at 30 June 2024	As at 31 December 2023
Corporate demand deposits	90,739,838	91,495,874
Corporate time deposits	102,240,511	95,239,526
Individual demand deposits	117,080,253	117,515,687
Individual time deposits	189,870,506	173,408,108
Pledged deposits	6,446,728	8,116,740
Other deposits	1,333,186	1,319,024
Sub-total	507,711,022	487,094,959
Accrued interest	8,682,148	8,648,929
Total	516,393,170	495,743,888

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

29 Debt securities issued

	Notes	As at 30 June 2024	As at 31 December 2023
Financial bonds for small and micro enterprise	(a)	5,999,730	6,999,563
Fix-rated financial bond	(b)	4,499,800	1,499,917
Tier-2 capital bond	(c)	3,998,843	3,998,622
Green financial bond	(d)	1,499,848	1,499,760
Sannong financial bond	(e)	999,959	999,914
Interbank certificates of deposit	(f)	62,344,653	56,681,253
Sub-total		79,342,833	71,679,029
Accrued interest		271,002	152,942
Total		79,613,835	71,831,971

- (a) In February and March 2021, the Bank issued the first phase and second phase of 3-year fixed rate financial bonds for small and micro enterprise amounting to RMB2 billion and RMB1 billion with nominal annual interest rate of 3.58% and 3.52%, which were redeemed at maturity on 1 March 2024 and 29 March 2024, respectively.

In September and October 2023, the Bank issued the first phase and second phase of 3-year fixed rate financial bonds for small and micro enterprise amounting to RMB2.50 billion and RMB1.50 billion with nominal annual interest rate of 2.73% and 2.80%, respectively, and these bonds pays interest annually.

In June 2024, the Bank issued a 3-year fixed rate financial bonds for small and micro enterprise amounting to RMB2 billion with nominal annual interest rate of 2.16%, and the bond pays interest annually.

- (b) In November 2023, the Bank issued a 3-year fixed rate financial bond amounting to RMB1.50 billion with nominal annual interest rate of 2.83%, and the bond pays interest annually.

In May 2024, the Bank issued a 3-year fixed rate financial bond amounting to RMB3 billion with nominal annual interest rate of 2.25%, and the bond pays interest annually.

- (c) In December 2022, the Bank issued a 10-year fixed rate Tier-2 capital bond amounting to RMB4 billion with nominal annual interest rate of 4.30%, and the bond pays interest annually.

- (d) In July 2023, the Bank issued a 3-year fixed rate green financial bond amounting to RMB1.50 billion with nominal annual interest rate of 2.66%, and the bond pays interest annually.

- (e) In July 2023, the Bank issued a 3-year fixed rate Sannong financial bond amounting to RMB1 billion with nominal annual interest rate of 2.73%, and the bond pays interest annually.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

29 Debt securities issued (continued)

(f) Interbank certificates of deposit are as follows:

	As at 30 June 2024	As at 31 December 2023
Reference rates of return	1.88%–2.70%	2.13%–2.88%
Original maturity	1 to 12 months	1 to 12 months

As at 30 June 2024 and 31 December 2023, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

30 Taxes payable

	As at 30 June 2024	As at 31 December 2023
Income tax	24,464	548
VAT and others	294,162	304,026
Total	318,626	304,574

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

31 Other liabilities

	Notes	As at 30 June 2024	As at 31 December 2023
Employee benefits payable	(a)	1,956,979	2,146,561
Dividends payable		1,796,362	302
Accrued expenses		472,273	489,872
Purchases payable		326,584	244,443
Clearing and settlement		113,545	61,932
Provisions	(b)	108,530	145,339
Outstanding payments of foreclosed assets		88,715	88,715
Others		73,891	126,699
Total		4,936,879	3,303,863

(a) Employee benefits payable

	As at 30 June 2024	As at 31 December 2023
Wages and salaries, bonuses, allowances and subsidies	1,672,707	1,841,156
Labour union funds and employee education funds	130,148	134,975
Enterprise annuity scheme	118,176	117,150
Social benefits and others	35,948	53,280
Total	1,956,979	2,146,561

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

31 Other liabilities (continued)

(b) Provisions

	Note	As at 30 June 2024	As at 31 December 2023
Loan commitments and financial guarantee contracts	(1)	108,530	145,339

(1) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	111,609	12,535	21,195	145,339
Net transfers in:				
— Stage 1	—	—	—	—
— Stage 2	—	—	—	—
— Stage 3	—	—	—	—
Originated or purchased	68,833	—	—	68,833
Remeasurement	(2,169)	(16)	(13)	(2,198)
Decrease	(89,634)	(11,705)	(2,105)	(103,444)
As at 30 June 2024	88,639	814	19,077	108,530

Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	110,206	41,310	1,659	153,175
Net transfers in:				
— Stage 1	(400)	—	—	(400)
— Stage 2	—	(37,220)	—	(37,220)
— Stage 3	—	—	37,620	37,620
Originated or purchased	89,810	—	—	89,810
Remeasurement	(979)	10,982	(16,956)	(6,953)
Decrease	(87,028)	(2,537)	(1,128)	(90,693)
As at 31 December 2023	111,609	12,535	21,195	145,339

(i) Remeasurement are caused by parameter changes or transfers between stages.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

32 Share capital

	Number of shares (in thousands)	Nominal amount
As at 30 June 2024 and 31 December 2023	6,888,546	6,888,546

The share capital of the Bank consists of authorised share capital issued and fully paid, with par value of RMB1 per share.

33 Capital reserve

	Note	1 January 2024	Increase	Decrease	30 June 2024
Share premium		6,230,429	—	—	6,230,429
Other capital reserve	19	112,350	—	—	112,350
Total		6,342,779	—	—	6,342,779

34 Revaluation reserve

	As at 30 June 2024	As at 31 December 2023
As at January 1	850,285	604,567
Changes in fair value recognized in other comprehensive income	1,261,720	705,041
Transfer to profit or loss upon disposal	(74,354)	(348,896)
Transfer to retained earnings upon disposal	15,207	—
Changes in impairment losses recognized in other comprehensive income	(23,798)	(28,521)
Less: Deferred income tax	(294,694)	(81,906)
At the end of the reporting period/year	1,734,366	850,285

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

35 Surplus reserves and general reserve

	Surplus reserves (a)	General reserve (b)
1 January 2024	8,829,850	7,422,108
Appropriation to surplus reserves	—	—
Appropriation to general reserve	—	—
30 June 2024	<u>8,829,850</u>	<u>7,422,108</u>
1 January 2023	8,323,435	6,915,566
Appropriation to surplus reserves	506,415	—
Appropriation to general reserve	—	506,542
31 December 2023	<u>8,829,850</u>	<u>7,422,108</u>

(a) Surplus reserves

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

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

(b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective 1 July 2012, in addition to impairment allowances, the Group are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets on an annual basis as defined by the Requirement.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

36 Dividends

	Notes	Six months ended 30 June	
		2024	2023
Dividends on ordinary shares declared			
Cash dividend related to 2023	(1)	1,825,463	—
Cash dividend related to 2022	(2)	—	1,997,678

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after:

- Making up prior year's cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

(1) Distribution of final dividend for 2023

A dividend of RMB0.265 per share (tax inclusive) in respect of the year ended 31 December 2023, with a total of RMB1,825 million was approved in the annual general meeting on 30 May 2024.

(2) Distribution of final dividend for 2022

A dividend of RMB0.29 per share (tax inclusive) in respect of the year ended 31 December 2022, with a total of RMB1,998 million was approved in the annual general meeting on 25 May 2023.

37 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

	As at 30 June 2024	As at 31 December 2023
Cash	2,438,927	2,478,099
Surplus reserve deposits with the central bank	9,659,323	8,811,540
Deposits with banks and other financial institutions	4,071,665	4,728,511
Placements with banks and other financial institutions	3,861,412	5,950,000
Financial assets held under resale agreements	1,831,215	1,340,450
Total	21,862,542	23,308,600

Notes to the Consolidated Interim Financial Report *(Continued)*

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

38 Structured entities

(a) Consolidated structured entities

Structured entities consolidated by the Group are asset management plans, which were invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 30 June 2024, the total consolidated structured entities were RMB5,291 million (31 December 2023: RMB3,694 million).

(b) Non-principal-guaranteed Wealth-Management Products ("WMPs") issued by the Group

Non-principal-guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and other debt assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised as described in the investment plan related to each WMP and receives fee and commission income.

As at 30 June 2024 and 31 December 2023, there were no non-principal-guaranteed WMPs consolidated and the unconsolidated non-principal-guaranteed WMPs amounted to RMB38,681 million and RMB39,591 million, respectively.

For the period ended 30 June 2024 and 30 June 2023, the Group's interest in WMPs included fee and commission income of RMB151 million and RMB151 million, respectively.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

38 Structured entities (continued)

(c) Unconsolidated structured entities set up in third-party organisations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. As at 30 June 2024 and 31 December 2023, the carrying amounts of the Group's interests in structured entities set up in third-party organisations by directly holding the investment were as follows:

	Notes	As at 30 June 2024	As at 31 December 2023
Financial investments at fair value through profit or loss	17(a)		
— Fund investments		25,661,820	26,429,513
— Trust beneficiary rights		1,773,355	1,739,899
Financial investments at fair value through other comprehensive income	17(c)		
— Trust beneficiary rights		43,618	29,236
Total		27,478,793	28,198,648

For the period ended 30 June 2024 and the year ended 31 December 2023, the maximum exposures of the above structured entities were their carrying amount.

39 Contingent liabilities and commitments

(a) Financial guarantees and other credit commitments

	As at 30 June 2024	As at 31 December 2023
Unused limit of credit cards	8,313,475	8,563,305
Bank acceptances	8,332,550	9,577,536
Guarantees	3,497,249	4,852,527
Letters of credit	393,133	911,310
Total	20,536,407	23,904,678

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

39 Contingent liabilities and commitments (continued)

(b) Credit risk weighted amounts of financial guarantees and credit commitments

	As at 30 June 2024	As at 31 December 2023
Financial guarantees and credit commitments	10,407,866	6,738,339

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics, and are calculated in accordance with the NFRA guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

(c) Capital commitments

	As at 30 June 2024	As at 31 December 2023
Contracted, but not provided for	155,095	139,643

(d) Legal proceedings

The litigation cases of the Group are not expected to have a significant impact on the Group.

(e) Collateral

Assets as collateral

The fair value of the Group's assets pledged as collateral under borrowings from the central bank are as follows:

	As at 30 June 2024	As at 31 December 2023
Debt securities	45,120,233	46,004,301
Loans	3,240,043	105,720
Bills	411,060	300,087
Total	48,771,336	46,410,108

The liabilities of above collateral were presented in Note 25.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

39 Contingent liabilities and commitments (continued)

(e) Collateral (continued)

Assets as collateral (continued)

The fair value of the Group's assets pledged as collateral under repurchase agreements are as follows:

	As at 30 June 2024	As at 31 December 2023
Debt securities	9,954,190	22,847,625
Bills	594,085	4,005,823
Total	10,548,275	26,853,448

The liabilities of above collateral were presented in Note 26. All repurchase agreements are due within 12 months from their effective dates.

Collateral accepted

The Group accepts bonds and bills as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at 30 June 2024 and 31 December 2023, the Group did not hold any collateral that can be resold or re-pledged.

(f) Redemption commitments of PRC government savings bonds. (in certificate form)

The Group is entrusted by the MOF to underwrite certain PRC government savings bonds (in certificate form). The investors of the bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these PRC government savings bonds (in certificate form) are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As at 30 June 2024, the balance of the principals of the Group's PRC government savings bonds (in certificate form) with early redemption obligations was RMB1,816 million (31 December 2023: RMB1,683 million). The original maturities of these bonds are 3 and 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material. The MOF will not provide funding for the early redemptions of these bonds on a back-to-back basis but will settle the principal and interest upon maturity.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

40 Related party transactions

(a) Related parties of the Bank

Related parties of the Bank include subsidiaries, associates and other related parties. Other related parties could be natural persons or legal persons, including directors, supervisors, senior managers of the Bank and their close family members; Entities controlled or jointly controlled by directors, supervisors, senior managers of the Bank and their closely related family members, etc.

(b) Related party transactions and balances

(i) Transactions and balances with subsidiaries

As at each of the balance sheet dates, the Group had the following transactions and balances with subsidiaries:

	As at 30 June 2024	As at 31 December 2023
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	160,276	106,883
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	429,241	273,183

The balances with related parties are based on normal commercial terms and market price.

	Six months ended 30 June	
	2024	2023
Interest income	244	140
Interest expense	1,344	1,280
Fee and commission expense	—	116

	Six months ended 30 June	
Range of rates	2024	2023
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.39%	0.39%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	0.72%	0.72%–1.50%

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

40 Related party transactions (continued)

(b) Related party transactions and balances (continued)

(ii) Transactions and balances with associates

As at each of the balance sheet dates, the Group had the following transactions and balances with associates:

	As at 30 June 2024	As at 31 December 2023
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	13,892	8,830

The balances with related parties are based on normal commercial terms and market price.

	Six months ended 30 June	
	2024	2023
Interest income	4	8
Interest expense	—	3

	Six months ended 30 June	
Range of rates	2024	2023
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.28%–0.31%	0.28%–0.31%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	1.95%

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

40 Related party transactions (continued)

(b) Related party transactions and balances (continued)

(iii) Transaction and balances with other related parties

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers	12,565,107	15,844,377
Deposits from customers	2,869,640	2,287,764
Financial investments at fair value through other comprehensive income	304,621	308,657
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	125,000
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	103,276	70,156
Non-principal-guaranteed WMPs issued by the Bank	85,834	74,305
Right-of-use assets	3,082	4,811
Lease liabilities	3,128	4,872
Off-balance sheet items		
Credit Commitment	1,093,770	1,637,094

The balances with related parties are based on normal commercial terms and market price.

	Six months ended 30 June	
	2024	2023
Interest income	308,761	389,876
Interest expense	7,942	12,231
Fee and commission income	98	123
Leasing expenses	940	956

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

40 Related party transactions (continued)

(b) Related party transactions and balances (continued)

(iii) Transaction and balances with other related parties (continued)

Range of rates	Six months ended 30 June	
	2024	2023
Loans and advances to customers	2.90%–7.14%	2.75%–6.60%
Deposits from customers	0.05%–5.15%	0.05%–5.30%
Financial investments at fair value through other comprehensive income	2.98%	2.98%
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.30%	0.30%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	0.20%
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	0.05%–0.50%	0.10%–0.50%

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting periods is as follows:

	Six months ended 30 June	
	2024	2023
Salaries and fees	6,832	6,614
Subsidies and physical benefits	462	404
Discretionary bonuses	2,330	3,195
Pension plan contributions	486	468
Total	10,110	10,681

The Group has implemented the deferred emoluments regulation. The deferred emoluments have not been paid.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

40 Related party transactions (continued)

- (d) **Loans and advances with directors, supervisors and entities that are controlled, jointly controlled or significantly influenced by either such directors, supervisors or their close relatives**

	As at 30 June 2024	As at 31 December 2023
Directors	19,600	19,700
Supervisors	—	19,108
Certain controlled body corporates and connected entities of the directors	12,257,874	14,235,982
Certain controlled body corporates and connected entities of the supervisors	87,411	1,289,692
Total	12,364,885	15,564,482

41 Segmental analysis

(a) Business segments

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- Corporate banking: Corporate banking business segment covers financial products and services to corporate customers, governments and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- Personal banking: Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- Treasury: Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- Others: The others segment covers the remaining businesses of the Group that cannot be directly attributable to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

41 Segmental analysis (continued)

(a) Business segments (continued)

From a regional perspective, all businesses of the Group are conducted in Mainland China.

	Six months ended 30 June 2024				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	5,472,784	1,850,887	3,840,769	—	11,164,440
External interest expense	(2,044,446)	(2,532,742)	(1,884,146)	—	(6,461,334)
Inter-segment net interest income or expense	(543,270)	2,793,325	(2,250,055)	—	—
Net interest income	2,885,068	2,111,470	(293,432)	—	4,703,106
Net fee and commission income	41,004	187,985	42,186	10,274	281,449
Net trading gains	62,215	1,002	785,320	—	848,537
Net gains on financial instruments	1,030	—	655,349	(146,434)	509,945
Other operating income	33,995	16	—	21,134	55,145
Operating income	3,023,312	2,300,473	1,189,423	(115,026)	6,398,182
Operating expense	(756,455)	(1,020,008)	(238,624)	(43,385)	(2,058,472)
— Depreciation and amortisation	(65,296)	(101,935)	(38,227)	(2,969)	(208,427)
Credit impairment losses	(1,809,477)	946,925	(38,669)	—	(901,221)
Share of profits of associates	—	—	—	18,951	18,951
Profit before tax	457,380	2,227,390	912,130	(139,460)	3,457,440
Capital expenditure	76,417	119,296	44,738	3,475	243,926

	As at 30 June 2024				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	246,199,442	126,118,456	358,441,637	2,741,487	733,501,022
Unallocated assets					4,419,221
Total assets					737,920,243
Segment liabilities	200,670,849	318,822,995	156,176,787	2,340,122	678,010,753

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

41 Segmental analysis (continued)

(a) Business segments (continued)

	Six months ended 30 June 2023				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	6,100,005	2,109,860	3,292,348	—	11,502,213
External interest expense	(2,179,095)	(2,286,529)	(1,676,347)	—	(6,141,971)
Inter-segment net interest income or expense	(256,569)	2,614,268	(2,357,699)	—	—
Net interest income	3,664,341	2,437,599	(741,698)	—	5,360,242
Net fee and commission income	51,540	313,694	61,898	21,395	448,527
Net trading gains	96,181	1,189	526,242	—	623,612
Net gains on financial instruments	404	—	678,768	61,193	740,365
Other operating income	57,355	1,551	447	33,101	92,454
Operating income	3,869,821	2,754,033	525,657	115,689	7,265,200
Operating expense	(824,667)	(981,348)	(274,997)	(75,520)	(2,156,532)
— Depreciation and amortisation	(64,429)	(115,981)	(33,856)	(2,797)	(217,063)
Credit impairment losses	(75,233)	(1,042,415)	(24,327)	—	(1,141,975)
Share of profits of associates	—	—	—	31,722	31,722
Profit before tax	2,969,921	730,270	226,333	71,891	3,998,415
Capital expenditure	82,047	147,695	43,114	3,561	276,417
	As at 30 June 2023				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	203,846,219	119,079,545	357,076,229	2,021,497	682,023,490
Unallocated assets					4,188,447
Total assets					686,211,937
Segment liabilities	197,254,184	299,614,271	133,196,176	565,718	630,630,349

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks. The Group analyses and evaluates its risk exposures and accepts and manages a certain level of such risks or combined risks. Financial risk management is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

42.1 Credit risk

42.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry distribution or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

Notes to the Consolidated Interim Financial Report *(Continued)*

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management *(continued)*

42.1 Credit risk *(continued)*

42.1.1 Credit risk management *(continued)*

The Group adopts standardised management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the period ended 30 June 2024 and the year ended 31 December 2023, the domestic economy was hit by various unexpected factors, and as a result, negative impact on the asset quality of the Group's credit assets and investments. In response to the government's policies, the Group delivered timely relief solutions to assist existing customers who had been affected by economic downswing, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group and the Bank actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

The Comprehensive Risk Management Execution Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimise its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the period ended 30 June 2024 and the year ended 31 December 2023, the loans and advances to customers written off by the Group amounted to RMB1,311 million and RMB1,539 million respectively.

In addition to risks arising from credit assets, the Group manages the credit risk of finance businesses by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for its customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

Notes to the Consolidated Interim Financial Report (*Continued*)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (*continued*)

42.1 Credit risk (*continued*)

42.1.2 Measurement of credit risk

(a) Loans

According to the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the NFRA and the People's Bank of China, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as non-performing loans. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can fulfil the contract without objective evidence that the principal, interest, or income cannot be paid in full on a timely basis.
- Special-mention: Although there are some factors that may have an adverse impact on the performance of the contract, borrowers currently has the ability to repay the principal, interest, or income.
- Sub-standard: Borrowers cannot fully repay the loan principal and interest or income, or the financial assets have experienced credit impairment.
- Doubtful: Borrowers have been no longer able to fully repay the loan principal and interest or income, and the financial assets have experienced significant credit impairment.
- Loss: After taking all possible measures, only a very small portion of financial assets can be recovered, or all financial assets can be lost.

(b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

Notes to the Consolidated Interim Financial Report (*Continued*)

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management (*continued*)

42.1 Credit risk (*continued*)

42.1.2 Measurement of credit risk (*continued*)

(c) *Other financial investments*

Other financial investments mainly comprise trust beneficiary rights, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) *Interbank transactions*

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that have transactions with the Group.

(e) *Financial guarantees and credit commitments*

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfil the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

42.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and makes an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporates' or individuals' guarantee are important means for the Group to control the credit risk.

The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.3 Risk limit control and mitigation measures (continued)

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies recognized by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

Collateral	Maximum loan-to-value ratio	Pledge	Maximum loan-to-value ratio
Real estate — residential	70%	Wealth Management Products	95%
Real estate — commercial	70%	Certificates of deposit	95%
Machineries	30%	Treasury bonds (certificate bonds and saving bonds)	95%
Means of transportation	40%	Bank acceptance bills	90%
Mining right	40%	Precious metal	80%
Forest rights	40%	Inventories	30%
Rural land use rights	50%	Shares of public company listed on main boards	60%
		Intellectual properties	20%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Notes to the Consolidated Interim Financial Report (*Continued*)

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management (*continued*)

42.1 Credit risk (*continued*)

42.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial assets measured at amortised cost and those measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

(a) Division of stages

For financial instruments included in the measurement of ECL, the Group applies the “three-stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.4 Policies on provision for expected credit loss (continued)

(b) Judgement criteria for significant increase in credit risk

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

Notes to the Consolidated Interim Financial Report *(Continued)*

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management *(continued)*

42.1 Credit risk *(continued)*

42.1.4 Policies on provision for expected credit loss *(continued)*

(c) Definition of default and incurred loss

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. These criteria are consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group; the definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyses in which the Group has considered the possibility of a financial instrument being reclassified as the default status in various scenarios after it has been reversed.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.4 Policies on provision for expected credit loss (continued)

- (d) *Calculation of credit impairment losses: description of parameters, assumptions, and estimation techniques*

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an instalment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

In reporting periods, there was no significant change in the above estimation techniques or key assumptions.

Notes to the Consolidated Interim Financial Report (*Continued*)

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management (*continued*)

42.1 Credit risk (*continued*)

42.1.4 Policies on provision for expected credit loss (*continued*)

(e) *Forward-looking information in the expected credit loss model*

Through data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as producer price index (PPI), stock of social financing scale (CNY loans), industrial added value, consumer price index (CPI), year-on-year (YOY) growth rate of money supply (M2).

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

(f) *Grouping for ECL provision*

The Group classified the exposures with similar characteristics when collectively assessing the ECL provision.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal property mortgages, credit cards)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

	Note	As at 30 June 2024				Total
		Stage 1	Stage 2	Stage 3	Not Applicable	
Assets						
Balances with the central bank		34,700,654	—	—	—	34,700,654
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		18,054,652	—	—	—	18,054,652
Derivative financial assets		—	—	—	522,258	522,258
Loans and advances to customers		348,732,237	9,124,605	1,568,774	7,812,602	367,238,218
Financial investments						
— Financial investments at fair value through profit or loss		—	—	—	50,569,435	50,569,435
— Financial investments at amortised cost		127,909,825	3,631	—	—	127,913,456
— Financial investments at fair value through other comprehensive income		124,928,834	—	118,644	1,030,935	126,078,413
Other financial assets	(i)	455,129	243,245	42,529	—	740,903
Sub-total		654,781,331	9,371,481	1,729,947	59,935,230	725,817,989
Off-balance sheet items						
Unused limit of credit cards		8,313,475	—	—	—	8,313,475
Bank acceptances		8,332,550	—	—	—	8,332,550
Guarantees		3,429,248	8,001	60,000	—	3,497,249
Letters of credit		393,133	—	—	—	393,133
Sub-total		20,468,406	8,001	60,000	—	20,536,407
Total		675,249,737	9,379,482	1,789,947	59,935,230	746,354,396

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements (continued)

	Note	As at 31 December 2023			Not Applicable	Total
		Stage 1	Stage 2	Stage 3		
Assets						
Balances with the central bank		34,457,216	—	—	—	34,457,216
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		17,566,453	—	—	—	17,566,453
Derivative financial assets		—	—	—	436,283	436,283
Loans and advances to customers		334,583,521	6,587,545	1,340,849	—	342,511,915
Financial investments						
— Financial investments at fair value through profit or loss		—	—	—	52,836,715	52,836,715
— Financial investments at amortised cost		137,222,600	3,478	—	—	137,226,078
— Financial investments at fair value through other comprehensive income		109,949,387	76,098	91,052	1,039,205	111,155,742
Other financial assets	(i)	332,197	33,719	61,760	—	427,676
Sub-total		634,111,374	6,700,840	1,493,661	54,312,203	696,618,078
Off-balance sheet items						
Unused limit of credit cards		8,563,305	—	—	—	8,563,305
Bank acceptances		9,512,280	65,256	—	—	9,577,536
Guarantees		4,784,526	8,001	60,000	—	4,852,527
Letters of credit		911,310	—	—	—	911,310
Sub-total		23,771,421	73,257	60,000	—	23,904,678
Total		657,882,795	6,774,097	1,553,661	54,312,203	720,522,756

(i) Other financial assets include interest receivable and other receivables.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers

(a) Industry analysis

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage	Amount	Percentage
Corporate loans and advances				
Manufacturing	61,646,973	16.20%	55,940,714	15.72%
Leasing and commercial services	43,189,828	11.35%	35,587,754	10.00%
Wholesale and retail	35,143,585	9.23%	34,661,797	9.74%
Construction	22,976,092	6.04%	23,573,369	6.63%
Real estate	20,235,444	5.32%	19,681,277	5.53%
Production and supply of power, gas and water	6,399,952	1.68%	6,992,548	1.97%
Transportation, logistics and postal services	6,251,776	1.64%	5,262,213	1.48%
Education	3,414,166	0.90%	3,267,422	0.92%
Hotels and catering industries	3,226,161	0.85%	3,097,382	0.87%
Water, environment and public utilities management	3,074,356	0.81%	3,179,212	0.89%
Scientific research and technical services and geological prospecting	3,081,000	0.81%	1,188,806	0.33%
Finance	2,878,557	0.76%	5,406,191	1.52%
Health, social security and welfare	2,594,150	0.68%	2,528,785	0.71%
Agriculture, forestry, animal husbandry and fishery	2,027,794	0.53%	1,833,173	0.52%
Information transmission, software and IT services	1,377,363	0.36%	1,016,757	0.29%
Residential services and other services	271,850	0.07%	491,097	0.14%
Mining	213,531	0.06%	—	—
Culture, sports and entertainment	161,311	0.04%	141,280	0.04%
Sub-total	218,163,889	57.33%	203,849,777	57.30%

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers (continued)

(a) Industry analysis (continued)

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage	Amount	Percentage
Personal loans and advances				
Business loans	46,500,528	12.22%	44,272,043	12.44%
Property mortgages	40,337,937	10.60%	38,863,183	10.92%
Personal consumption loans	35,517,874	9.33%	35,337,953	9.93%
Credit cards	4,642,357	1.22%	4,921,478	1.38%
Sub-total	126,998,696	33.37%	123,394,657	34.67%
Discounted bills	34,760,169	9.13%	27,828,908	7.82%
Accrued interest	654,312	0.17%	730,437	0.21%
Total loans and advances to customers	380,577,066	100.00%	355,803,779	100.00%

(b) Type of collateral analysis

	As at 30 June 2024	As at 31 December 2023
Collateralised loans	185,064,362	183,143,329
Guaranteed loans	103,572,366	94,098,085
Pledged loans	44,726,558	40,106,761
Unsecured loans	46,559,468	37,725,167
Sub-total	379,922,754	355,073,342
Accrued interest	654,312	730,437
Total	380,577,066	355,803,779

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers (continued)

(c) Concentration analysis by geographical regions

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage	Amount	Percentage
Dongguan	308,871,898	81.16%	283,906,297	79.78%
Zhanjiang	19,248,604	5.06%	18,484,393	5.20%
Others	51,802,252	13.61%	52,682,652	14.81%
Accrued interest	654,312	0.17%	730,437	0.21%
Total	<u>380,577,066</u>	<u>100.00%</u>	<u>355,803,779</u>	<u>100.00%</u>

Concentration analysis of overdue loans and advances to customers by geographical regions

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage	Amount	Percentage
Dongguan	8,421,218	68.09%	4,307,203	68.02%
Zhanjiang	670,786	5.42%	662,343	10.46%
Others	3,276,916	26.49%	1,362,359	21.52%
Total	<u>12,368,920</u>	<u>100.00%</u>	<u>6,331,905</u>	<u>100.00%</u>

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers (continued)

(d) Analysis by overdue days and impairment evaluation

- (1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows:

Loans and advances	As at 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	351,620,637	7,215,081	1,559,826	360,395,544
Between 0 and 30 days	300,142	1,284,922	41,863	1,626,927
Between 30 and 60 days	—	3,028,741	81,623	3,110,364
Between 60 and 90 days	—	405,863	2,870,124	3,275,987
More than 90 days/Default	—	—	4,355,642	4,355,642
Total	351,920,779	11,934,607	8,909,078	372,764,464
Provision for ECL	(3,188,542)	(2,810,002)	(7,340,304)	(13,338,848)
Net amount	348,732,237	9,124,605	1,568,774	359,425,616

Loans and advances	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	338,865,303	8,715,040	1,891,531	349,471,874
Between 0 and 30 days	519,929	307,483	55,341	882,753
Between 30 and 60 days	—	636,219	813,803	1,450,022
Between 60 and 90 days	—	63,377	148,848	212,225
More than 90 days/Default	—	—	3,786,905	3,786,905
Total	339,385,232	9,722,119	6,696,428	355,803,779
Provision for ECL	(4,801,711)	(3,134,574)	(5,355,579)	(13,291,864)
Net amount	334,583,521	6,587,545	1,340,849	342,511,915

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers (continued)

(d) Analysis by overdue days and impairment evaluation (continued)

(2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

	As at 30 June 2024				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Collateralised loans	6,050,288	2,099,405	548,404	29,657	8,727,754
Guaranteed loans	1,524,887	649,495	102,995	4,859	2,282,236
Unsecured loans	416,853	532,090	288,255	58,352	1,295,550
Pledged loans	21,250	21,178	—	20,952	63,380
Total	8,013,278	3,302,168	939,654	113,820	12,368,920

	As at 31 December 2023				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Collateralised loans	1,204,013	1,915,068	592,779	25,736	3,737,596
Guaranteed loans	994,050	493,008	86,873	1,917	1,575,848
Unsecured loans	304,503	306,099	276,518	63,192	950,312
Pledged loans	42,434	1,870	—	23,845	68,149
Total	2,545,000	2,716,045	956,170	114,690	6,331,905

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.6 Loans and advances to customers (continued)

(e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

	As at 30 June 2024	As at 31 December 2023
Corporate loans and advances	6,527,098	4,759,357
Personal loans and advances	2,381,980	1,937,071
Total	8,909,078	6,696,428
Fair value of collateral		
— Corporate loans and advances	5,891,134	1,236,435
— Personal loans and advances	1,075,803	784,218
Total	6,966,937	2,020,653

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realisation and market conditions.

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage	Amount	Percentage
Dongguan	6,402,490	71.86%	3,972,316	59.32%
Zhanjiang	257,130	2.89%	255,055	3.81%
Others	2,249,458	25.25%	2,469,057	36.87%
Total	8,909,078	100.00%	6,696,428	100.00%

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.7 Foreclosed assets

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Usually the Group does not use recovered foreclosed assets for business activities. As at the end of the reporting period, foreclosed assets were listed under other assets.

42.1.8 Debt instrument investments

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

(a) Debt instrument investments classified by borrower credit ratings

The exposures of financial investments at amortised cost are analysed as follows:

	Note	As at 30 June 2024			
		Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		6,822,370	—	—	6,822,370
CCC+ to AA-		—	—	—	—
CCC and below		—	—	—	—
Unrated	(i)	121,460,948	6,345	—	121,467,293
Total		128,283,318	6,345	—	128,289,663
Provision for ECL		(373,493)	(2,714)	—	(376,207)
Net book value		127,909,825	3,631	—	127,913,456
	Note	As at 31 December 2023			
		Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		10,671,108	—	—	10,671,108
CCC+ to AA-		—	—	—	—
CCC and below		—	—	—	—
Unrated	(i)	126,926,335	6,119	—	126,932,454
Total		137,597,443	6,119	—	137,603,562
Provision for ECL		(374,843)	(2,641)	—	(377,484)
Net book value		137,222,600	3,478	—	137,226,078

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.1 Credit risk (continued)

42.1.8 Debt instrument investments (continued)

(b) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

		As at 30 June 2024			
	Note	Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		13,500,226	—	—	13,500,226
CCC+ to AA-		—	—	—	—
CCC and below		—	—	—	—
Default		—	—	75,026	75,026
Unrated	(i)	111,428,608	—	43,618	111,472,226
Net book value		124,928,834	—	118,644	125,047,478
		As at 31 December 2023			
	Note	Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		11,897,370	76,098	—	11,973,468
CCC+ to AA-		—	—	—	—
CCC and below		—	—	—	—
Default		—	—	61,816	61,816
Unrated	(i)	98,052,017	—	29,236	98,081,253
Net book value		109,949,387	76,098	91,052	110,116,537

(i) The Group's unrated debt instrument investments comprise mainly of treasury bonds, local government bonds, financial bonds issued by policy banks and trust beneficiary rights.

42.2 Fair value of financial assets and liabilities

(a) Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(b) Financial instruments not measured at fair value

The tables below summarise the carrying amount and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amount and fair values, such as balances with the central bank, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from the central bank, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

	As at 30 June 2024				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	<u>127,913,456</u>	<u>133,011,597</u>	<u>—</u>	<u>132,636,817</u>	<u>374,780</u>
Financial liability					
Debt securities issued	<u>79,613,835</u>	<u>80,041,562</u>	<u>—</u>	<u>80,041,562</u>	<u>—</u>
	As at 31 December 2023				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	<u>137,226,078</u>	<u>139,965,517</u>	<u>—</u>	<u>139,676,823</u>	<u>288,694</u>
Financial liability					
Debt securities issued	<u>71,831,971</u>	<u>72,029,528</u>	<u>—</u>	<u>72,029,528</u>	<u>—</u>

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value

	As at 30 June 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	—	522,258	—	522,258
Loans and advances to customers at fair value through other comprehensive income	—	—	29,122,774	29,122,774
Loans and advances to customers at fair value through profit or loss	—	—	7,812,602	7,812,602
Financial investments at fair value through profit or loss				
— Debt securities	—	23,134,260	—	23,134,260
— Fund investments	—	25,661,820	—	25,661,820
— Trust beneficiary rights	—	—	1,773,355	1,773,355
Financial investments at fair value through other comprehensive income				
— Debt securities	—	124,928,834	75,026	125,003,860
— Trust beneficiary rights	—	—	43,618	43,618
— Listed equity investment	11,466	—	—	11,466
— Unlisted equity investment	—	67,772	951,697	1,019,469
Total	11,466	174,314,944	39,779,072	214,105,482
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	1,128,462	1,404,075	2,532,537
Derivative financial liabilities	—	523,140	—	523,140
Total	—	1,651,602	1,404,075	3,055,677

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

	As at 31 December 2023			Total
	Level 1	Level 2	Level 3	
Financial assets				
Derivative financial assets	—	436,283	—	436,283
Loans and advances to customers at fair value through other comprehensive income	—	—	29,313,748	29,313,748
Financial investments at fair value through profit or loss				
— Debt securities	—	24,667,303	—	24,667,303
— Fund investments	—	26,429,513	—	26,429,513
— Trust beneficiary rights	—	—	1,739,899	1,739,899
Financial investments at fair value through other comprehensive income				
— Debt securities	—	110,025,485	61,816	110,087,301
— Trust beneficiary rights	—	—	29,236	29,236
— Listed equity investment	84,433	—	—	84,433
— Unlisted equity investment	—	69,935	884,837	954,772
Total	84,433	161,628,519	32,029,536	193,742,488
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	27,803	1,297,741	1,325,544
Derivative financial liabilities	—	458,261	—	458,261
Total	—	486,064	1,297,741	1,783,805

Notes to the Consolidated Interim Financial Report (*Continued*)

*For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)*

42 Financial risk management (*continued*)

42.2 Fair value of financial assets and liabilities (*continued*)

(c) **Financial instruments measured at fair value** (*continued*)

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Asset Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Department of Comprehensive Risk Management and Compliance; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by Planning and Finance Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the period ended 30 June 2024 and the year ended 31 December 2023, there were no significant transfers between the fair value levels.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

	As at 30 June 2024		
	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income	29,122,774	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Loans and advances to customers at fair value through profit or loss	7,812,602	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through profit or loss			
— Trust beneficiary rights	1,773,355	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through other comprehensive income			
— Debt securities	75,026	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Trust beneficiary rights	43,618	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Unlisted equity investments	951,697	Market approach/Net assets method	Price to book ratio (P/B)/Haircuts for low liquidity
Financial liabilities at fair value through profit or loss	1,404,075	Discounted cash flow	Risk-adjusted discount rate/Cash flow

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

	As at 31 December 2023		
	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income	29,313,748	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through profit or loss			
— Trust beneficiary rights	1,739,899	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through other comprehensive income			
— Debt securities	61,816	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Trust beneficiary rights	29,236	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Unlisted equity investments	884,837	Market approach/Net assets method	Price to book ratio (P/B)/Haircuts for low liquidity
Financial liabilities at fair value through profit or loss	1,297,742	Discounted cash flow	Risk-adjusted discount rate/Cash flow

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.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

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 plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	As at 30 June 2024			
	Effect on net profit		Effect on revaluation reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income	—	—	67,826	(67,215)
Loans and advances to customers at fair value through profit or loss	20,644	(20,468)	—	—
Financial investments at fair value through profit or loss — Trust beneficiary rights	18,758	(18,011)	—	—
Financial investments at fair value through other comprehensive income — Debt securities	—	—	1,122	(1,086)
— Trust beneficiary rights	—	—	151	(149)
— Unlisted equity investments	—	—	3,606	(3,606)
Financial liabilities at fair value through profit or loss	113,950	(120,461)	—	—

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

	As at 31 December 2023			
	Effect on net profit		Effect on revaluation reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income	—	—	94,121	(93,099)
Financial investments at fair value through profit or loss				
— Trust beneficiary rights	29,250	(28,002)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	1,089	(1,057)
— Trust beneficiary rights	—	—	402	(392)
— Unlisted equity investments	—	—	6,479	(6,479)
Financial liabilities at fair value through profit or loss	125,102	(132,799)	—	—

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

The movement of Level 3 fair value measurements is as follows:

	1 January 2024	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		30 June 2024	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the period
			Purchases	Decrease	Recorded in profit or loss	Recorded in other comprehensive income		
Assets								
Loans and advances to customers at fair value through other comprehensive income	29,313,748	—	23,889,173	(24,096,817)	(5,417)	22,087	29,122,774	—
Loans and advances to customers at fair value through profit or loss	—	—	15,188,103	(7,297,090)	(78,411)	—	7,812,602	(34,010)
Financial investments at fair value through profit or loss — Trust beneficiary rights	1,739,899	—	—	—	33,456	—	1,773,355	33,456
Financial investments at fair value through other comprehensive income								
— Debt securities	61,816	—	—	(576)	13,964	(178)	75,026	—
— Trust beneficiary rights	29,236	—	—	(7,197)	21,579	—	43,618	—
— Unlisted equity investments	884,837	—	—	—	—	66,860	951,697	—
Sub-total	32,029,536	—	39,077,276	(31,401,680)	(14,829)	88,769	39,779,072	(554)
Liabilities								
Financial liabilities at fair value through profit or loss	(1,297,742)	—	—	11,917	(118,250)	—	(1,404,075)	(1,404,075)
Total	30,731,794	—	39,077,276	(31,389,763)	(133,079)	88,769	38,374,997	(1,404,629)

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

	1 January 2023	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2023	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the period
			Purchases	Decrease	Recorded in profit or loss	Recorded in other comprehensive income		
Assets								
Loans and advances to customers at fair value through other comprehensive income	28,399,022	—	29,462,311	(28,519,809)	(25,711)	(2,065)	29,313,748	—
Financial investments at fair value through profit or loss								
— Trust beneficiary rights	3,416,254	—	—	(1,734,236)	57,881	—	1,739,899	61,185
Financial investments at fair value through other comprehensive income								
— Debt securities	170,404	—	—	(11,935)	(78,261)	(18,392)	61,816	—
— Trust beneficiary rights	30,777	—	—	(25,726)	24,671	(486)	29,236	—
— Unlisted equity investments	585,140	—	—	—	—	299,697	884,837	—
Sub-total	32,601,597	—	29,462,311	(30,291,706)	(21,420)	278,754	32,029,536	61,185
Liabilities								
Financial liabilities at fair value through profit or loss	(1,061,203)	—	—	—	(236,539)	—	(1,297,742)	(1,297,742)
Total	31,540,394	—	29,462,311	(30,291,706)	(257,959)	278,754	30,731,794	(1,236,557)

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.3 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the NFRA, for supervisory purposes. The required information is filed with the NFRA on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks issued by the NFRA in October 2023. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the simplified standard method, and operation risk-weighted assets measurement by the standard method.

In accordance with "Rules for Regulating the Capital Adequacy of Commercial Banks" (before 31 December 2023 in accordance with "Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)"), for non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. At present, the Bank fully complies with all statutory and regulatory requirements.

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

42 Financial risk management (continued)

42.3 Capital management (continued)

The capital adequacy ratio of 30 June 2024 under the Rules for Regulating the Capital Adequacy of Commercial Banks and the capital adequacy ratio of 31 December 2023 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) are as follows:

	As at 30 June 2024	As at 31 December 2023
Core tier 1 capital	57,931,816	55,705,955
Core tier 1 capital deductions	(615,685)	(566,833)
Net core tier 1 capital	57,316,131	55,139,122
Other tier 1 capital	142,042	140,876
Net tier 1 capital	57,458,173	55,279,998
Tier 2 capital	8,961,536	8,874,914
Net capital	66,419,709	64,154,912
Total risk-weighted assets	414,541,731	404,855,812
Core tier 1 capital adequacy ratio	13.83%	13.62%
Tier 1 capital adequacy ratio	13.86%	13.65%
Capital adequacy ratio	16.02%	15.85%

Notes to the Consolidated Interim Financial Report (Continued)

For the six months ended 30 June 2024 - unaudited
(All amounts expressed in thousands of RMB unless otherwise stated)

43 Comparative figure

To conform with the presentation of the financial statements, the Group made reclassification adjustments to certain figures for comparative period.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2024

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended 30 June 2024, and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 9, <i>Financial instruments and IFRS 7, Financial instruments: disclosures "Amendments to the classification and measurement of financial instruments"</i>	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures¹</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Unreviewed Supplementary Information

INFORMATION ON LEVERAGE RATIO

Accounting Items Corresponding to Leverage Regulatory Items and Differences between Regulatory Items and Accounting Items

Unit: RMB'000

No.	Item	As at 30 June 2024
1	Consolidated total assets	738,694,037
2	Consolidated adjustments	0
3	Adjustments on client assets	0
4	Derivatives instruments adjustments	135,504
5	Securities financing transaction adjustments	0
6	Off-balance sheet item adjustments	22,636,094
7	Asset securitization transaction adjustments	0
8	Unsettled financial asset adjustments	0
9	Cash pool adjustments	0
10	Deposit reserves adjustments (if applicable)	0
11	Prudent valuation and impairment allowance adjustments	0
12	Other adjustments	-615,685
13	Adjusted balance of on-balance and off-balance sheet assets	760,849,951

Notes:

- (1) This table is calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》).
- (2) Adjusted balance of on-and off-balance sheet assets = consolidated total assets + consolidated adjustments + adjustments on client assets + derivatives adjustments + securities financing transaction adjustments + off-balance sheet item adjustments + other adjustments.

Unreviewed Supplementary Information (continued)

Leverage Ratio Level, Net Tier 1 Capital, Adjusted On-Balance and Off-Balance Sheet Assets and Related Details

Unit: RMB'000

Item	As at 30 June 2024
Balance of on-balance sheet assets	666,565,312
1 On-balance sheet assets (except derivatives instruments and securities financing transactions)	745,438,084
2 Less: Impairment allowance	14,235,072
3 Less: Tier 1 capital deductions	615,685
4 Adjusted balance of on-balance sheet assets (excluding derivatives instruments and securities financing transactions)	730,587,326
Balance of derivative instrument asset	
5 Replacement cost of various derivatives instruments (net of qualifying margin, considering the impact of the bilateral netting agreement)	256,342
6 Potential exposures of various derivatives instruments	135,389
7 Total collateral been deducted from the balance sheet	0
8 Less: Assets receivable due to provision of qualified margin	0
9 Less: Derivative instrument asset balance formed from transactions with central counterparties when providing clearing services to clients	0
10 Notional principal for selling credit derivatives instruments	0
11 Less: Deductible balance of sold credit derivatives instruments assets	0
12 Derivative instrument asset balance	391,731
Asset balance of securities financing transactions	
13 Balance of accounting asset for securities financing transactions	7,234,800
14 Less: balance of securities financing transaction assets that can be deducted	0
15 Counterparty credit exposure for securities financing transactions	0
16 Asset balance of securities financing transactions formed by agency securities financing transactions	0
17 Asset balance of securities financing transactions	7,234,800
Balance of off-balance sheet assets	
18 Off-balance sheet item balance	134,765,072
19 Less: Balance of off-balance sheet items adjusted due to credit conversion	112,017,796
20 Less: Impairment allowance	111,181
21 Adjusted off-balance sheet item balance	22,636,094
Net Tier 1 capital and adjusted balance of on-and off-balance sheet assets	
22 Net Tier 1 capital	57,458,173
23 Adjusted balance of on-and off-balance sheet assets	760,849,951
Leverage ratio	
24 Leverage ratio	7.55%
24a Leverage ratio a	7.55%
25 Minimum leverage ratio requirement	4.00%

Notes:

- (1) This table is calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》).
- (2) The leverage ratio is calculated by dividing the net Tier 1 capital by the adjusted balance of on-and off-balance sheet assets.



东莞农村商业银行
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