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E.SUN BANK(China)

ANNUAL REPORT 2023

E.SUN Bank (China) Company, Ltd.

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ANNUAL REPORT 2023

玉山銀行 E.SUN BANK

About the Report

Disclaimer

The English version of the Annual Report is provided for reference purposes only and is intended to facilitate better understanding for stakeholders. Should there be any discrepancies between the English and Chinese versions of the Annual Report, the content of the Chinese version shall prevail.

Important Notice

1. The Board of Directors, Directors, the supervisor, and senior of the bank guarantee that the annual report's contents are true, accurate, and complete, without any false records, misleading statements, or major omissions, and assume individual and joint legal responsibility.
2. Deloitte Touche Tohmatsu CPA LLP in accordance with Chinese auditing standards, audited the bank's 2023 financial report and issued an unqualified audit report, stating that the bank's financial report is prepared in accordance with the Enterprise Accounting Standards and fairly reflects the bank's financial position at the end of 2023 and its operating results and cash flows for the year.
3. The 11th meeting of the 3rd Board of Directors of the bank reviewed the 2023 financial report. The meeting was attended by 9 directors, all of whom were present and unanimously agreed on the report. Magi Chen, the Chairman of the bank, Chung Jen Tsao, the CEO, and Han Shao, the Chief Accountant of the bank, guarantee the truthfulness, accuracy, and completeness of the financial report in the annual report.
4. This report includes several forward-looking statements regarding the bank's operating conditions and business development plans. These statements are based on reasonable plans and forecasts made in light of the current operating conditions. However, these forward-looking statements are subject to various unclear factors that may lead to significant differences from actual results regarding the bank's future financial, business, or other performances. Therefore, such forward-looking statements do not constitute substantial commitments from the bank, and the bank cannot guarantee the realization of these expectations.

Explanations

1. E.SUN Bank (China), E.SUN China, or the bank refers to E.SUN Bank (China) Company, Ltd.
2. E.SUN Bank, E.SUN Commercial Bank, or the parent company refers to E.SUN Commercial Bank Co., Ltd.
3. E.SUN Financial Holding refers to E.SUN Financial Holding Co., Ltd.

Violin Bronze Sculpture
Fernandez Arman
Possession of E.SUN

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Message from the Chairman

As the first foreign-owned bank that establish its headquarters in Shenzhen Qianhai-Shekou Free Trade Zone, E.SUN Bank (China) is committed to deepening its presence in the Greater Bay Area. With the support of its parent company and overseas branches, E.SUN Bank (China) aims to establish important regional financial integration platforms in the Greater China region, Taiwan, and ASEAN, providing customers with high-quality financial services. The five branches, namely E.SUN Bank(China) Business Division, Shenzhen Branch, Guangzhou Branch, Dongguan Branch, and Dongguan Chang'an Sub-branch, located in the Greater Bay Area, have made E. SUN Bank (China) be the Taiwanese bank with the most extensive branch network in South China.

Our goal is to become the best-performing and most respected Taiwanese bank in the mainland China, operating with integrity, professionalism, and dedication. We determine to be the benchmark of the financial and service industry. Since its establishment, E.SUN Bank (China) has continuously been building its strength and focusing on its core business, while also laying a solid foundation in three main infrastructure for E.SUN’s lasting mission: building systems, cultivating talent, and developing information technology.

In 2023, E.SUN Bank (China) continued to elevate its regulations, implement the management philosophy of “no business operation can be considered beyond risk, no service can be considered above the law”, and enhance various operational processes. Professional staff is essential for providing quality services to customers. Therefore, E.SUN Bank (China) pays great attention to human capital and cultivation of local talents. In 2023, E.SUN Bank (China) held its first management training class and now its number of local managers accounting for 60% of all managers and local staff accounting for 86% of the total workforce. E.SUN Bank (China) will continue to provide learning and growth opportunities for employees through diverse professional and management training programs, to improve the retention rate of the outstanding employees. In terms of technology development, E.SUN Bank (China) has made significant progress in its digital transformation in 2023 and received recognition from several external organizations, including the "Excellent Case of Financial Technology Award" from the Shenzhen Banking Association, the " Excellent Case of Product Innovation Award" from City Commercial Banks Clearing Co., Ltd., and the "Best Progress Award in Digital Transformation of Foreign Banks" at the 6th B&S Digital Banking and Securities Summit.

During the rapid changing market environment, E.SUN Commercial Bank will focus on developing 4+E strategy in 2024 as follows: deepening overseas operations, serving high-net-worth individuals, leading in financial technology, strengthening three lines of defense, and promoting ESG sustainable development. As one of the most important overseas hubs of the E.SUN Group, E.SUN Bank (China) will align its 2024 business strategy with the group's direction, focusing on " concentrate on deposit and upgrade business structure," "prioritize fee income and focus on value maximizing," and "establish scale of economy and achieve cross-border win-win situations for all parties". Leveraging its strategic position as a hub, E.SUN Bank (China) will collaborate with overseas branches of the parent company to create mutual success and prosperity, driving further growth and creating greater value for customers.

We are grateful for the long-term support, expectations, and encouragement from all sectors of society. E.SUN Bank (China) will uphold the business philosophy of honesty and integrity, as well as sincere and professional brand image, continue to strive for customers, society, and a better sustainable future with disciplined thinking and action. We are determined to become the most distinctive foreign bank in mainland China and move closer to E.SUN’s vision of becoming the most distinctive benchmark bank in Asia.

Message from the CEO

As the first year of the authorities eased travel restrictions related to COVID-19 across mainland China, the overall economy was impacted by insufficient domestic demand, credit risks of the real estate sector, as well as a complex and volatile international environment. Macroeconomic growth momentum continued to slow down, and market confidence remained weak. Despite the volatile financial environment, E.SUN Bank (China) remained resilient, adhering to the three main strategic axes of " focus on customer and upgrade product," "cross-border collaboration and joint efforts," and "focus on green finance and priority industries." Facing all kinds of opportunities and challenges, E.SUN Bank (China) maintained stable growth and good overall performance.

As of the end of 2023, E.SUN Bank (China)'s total assets were 18.21 billion RMB, total loans were 8.25 billion RMB, total deposits were 11.59 billion RMB , operating income was 339 million RMB, and net profit was 69.45 million RMB. The capital adequacy ratio stood at 13.20%, non-performing loan ratio at 0%, and loan provision ratio at 1.53%. Various risk indicators maintained a healthy level, and net profit achieved historical records. The bank received credit rating of Baa1 from Moody's, and AA+ from China Chengxin International Credit Rating Co., Ltd.(CCXI), and outlook was stable, demonstrating that the bank's business performance had been recognized by external credit rating institutes.

E.SUN Bank (China) plays an important role in the E.SUN Group's strategy of expanding into Asia and integrating with the international market. In 2023, we actively increased the proportion of non-interest income, cross-border flow business, and TMU with foreign exchange hedging business. In response to the government's carbon targets "carbon peaking and carbon neutrality" , the bank actively developed green finance and ESG business, established management systems related to green finance and photovoltaic loans, and supported the development of the photovoltaic industry and green and low-carbon initiatives. With the continuous progress of digital transformation, the bank has further enhanced its online electronic banking functions, launched new products for corporate online banking, and optimized processes and customer experiences. In terms of treasury business, the bank was one of the first foreign banks to participate in offshore central clearing for foreign exchange transactions, and we will continue to enrich our financial products and services in the future.

In addition to business development, E.SUN Bank (China) actively gives back to society by strengthening protection for consumer's rights and continuously implementing inclusive finance initiatives to support the development of small and micro enterprises. Furthermore, the bank regularly conducts environmental protection activities and has been committed to Public welfare activities for long, donating to resource-poor rural primary school and promoting basic financial knowledge to safeguard the future of the next generation.

Looking towards 2024, despite challenges such as a severe external economic situation, narrowing interest rate spreads, and rising credit risks, there are also opportunities including the interest rate differential between US Dollar and Renminbi, emerging cross-border business, the rising of international ESG sustainability trend, loose monetary policies, and fluctuations in CNY/USD exchange rate. In 2024, E.SUN Bank (China) will continue to strictly control credit risk, liquidity risk, operational risk, and staff behavior risk, upholding the concept of "no service can be considered above the law" . We will surpass our business objective and gradually achieve our vision of being the best-performing and most respected Taiwanese bank.

I.About E.SUN

1. Brand Introduction

Under the leadership of the founder Mr. Yung-Jen Huang, a group of like-minded financial professionals embarked on a mission to build the best bank by establishing E.SUN in 1992. It was named after the highest mountain in Taiwan, Mt. Jade, and we determine to be the greatest. Our business philosophy is represented by the acronym E.S.B, which stands for Expertise, Service, and Business. E.SUN fulfills its commitment to this philosophy by cultivating professional banking talent and offering its customers the highest quality of service.

Since its establishment, E.SUN Commercial Bank has been committed to be the best bank, and strives to climb the mountains of "overall performance, corporate social responsibility and sustainable development." It aspires to be the most favorite choice for both employees and customers.

At E.SUN, we embrace a culture of "Integrity, Strength, Responsibility" "Teamwork, Harmony, Happiness" "Leadership, Excellence, Honor" and "Gratitude, Cherish, Blessing". This culture serves as the guiding principle for our staff's values and approach to life, and it's the foundation of our brand, service, and team.

E.SUN Bank (China) started its presence in South China as the first Taiwanese bank to establish a legal entity in the region in 2016. It adheres to the strategy of "One Guideline, Two Platforms, Three Distinctive Features" and aims to become the best and most respected foreign bank in mainland China.

Shared Vision of E.SUN :
Vision 1: To be the model of the financial industry and the benchmark of the service industry
Vision 2: E.SUN's employees become world-class citizens, and E.SUN becomes a world-class corporate citizen
Vision 3: To be Taiwan's E.SUN and the World's E.SUN

Vision of E.SUN Bank (China): The best-performing and most respected Taiwanese bank

2. Basic Information

Official English Name: E.SUN Bank (China) Company, Ltd.
Registered Capital: 2 billion RMB
Address: 1st floor Unit 01-06, 2nd floor Unit 03-05, and 30th-31st floor, Building 7, One Excellence, No. 5109 Menghai Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen
Legal Representative: Tsao, Chung-Jen
Date of Establishment: January 13, 2016
Major Shareholder: E.SUN Commercial Bank Co., Ltd., with a 100% shareholding
Shareholder's Address: No. 115 and No. 117, Section 3, Minsheng East Road, Songshan District, Taipei City
Contributed Capital by Shareholders: 2 billion RMB
Business Scope: Conduct foreign exchange transactions and RMB transactions for various customers within the following scope:
(1) Acceptance of public deposits
(2) Provision of short-term, medium-term, and long-term loans
(3) Acceptance and discounting of bills
(4) Agency issuance, agency redemption, and underwriting of government bonds
(5) Trading government bonds, financial bonds, and other foreign currency securities other than stocks
(6) Provision of letter of credit services and guarantees
(7) Domestic and international settlement operations
(8) Buying, selling, and agency trading of foreign exchange
(9) Agency collection and payment and commission insurance business
(10) Interbank borrowing operations
(11) Bank card business operations
(12) Provision of safe deposit box services
(13) Credit investigation and consulting services
(14) Other business approved by the banking regulatory authority of the State Council

Customer Complaints Telephone: 0755-88981313 ext. 3166
Internal Reporting Hotline: 0755-88981313 ext. 3260

3. Development History

(1) In September 2012, E.SUN Bank established the Dongguan Branch.
(2) In January 2015, E.SUN Bank established the Chang'an Sub-branch.
(3) In January 2016, E.SUN Bank (China) was established.
(4) In April 2016, E.SUN Bank(China) Co.,Ltd's Business Department and the Shenzhen Branch were opened.
(5) In November 2018, E.SUN Bank (China) established the Guangzhou Branch.
(6) In May 2022, E.SUN Bank (China) Shenzhen Branch relocated to a new business address.
(7) In March 2023, E.SUN Bank (China) Dongguan Branch relocated to a new business address.

4. Branch Information

As of December 31, 2023, the bank has a total of 5 branches with the following details:

Branch Name	Address	Telephone
Qianhai Business Department	1F&2F,Building 7,OneExcellence,No.5109 Menghai Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen,China	0755-66631313
Guangzhou Branch	No.4101-4106, Central Tower, No.7 XianCun Road, Tianhe District, Guangzhou City, Guangdong Province, China	020-61991313
Shenzhen Branch	No.6202-6204,Huanggang Business Center Tower 1,Jintian Road, Futian District, Shenzhen,China	0755-83601313
Dongguan Branch	No.7701, Building 2, International Trade Center,No.1 Hongfu East Rd.,Dongcheng District, Dongguan City, Guangdong Province, China	0769-28681313
Dongguan Chang'an Sub-branch	No.106-107-108,Parkway Financial Centre,No.121 Dongmen Zhong Rd., Chang An Town, Dongguan City, Guangdong Province, China	0769-23308813

5.External Credit Rating

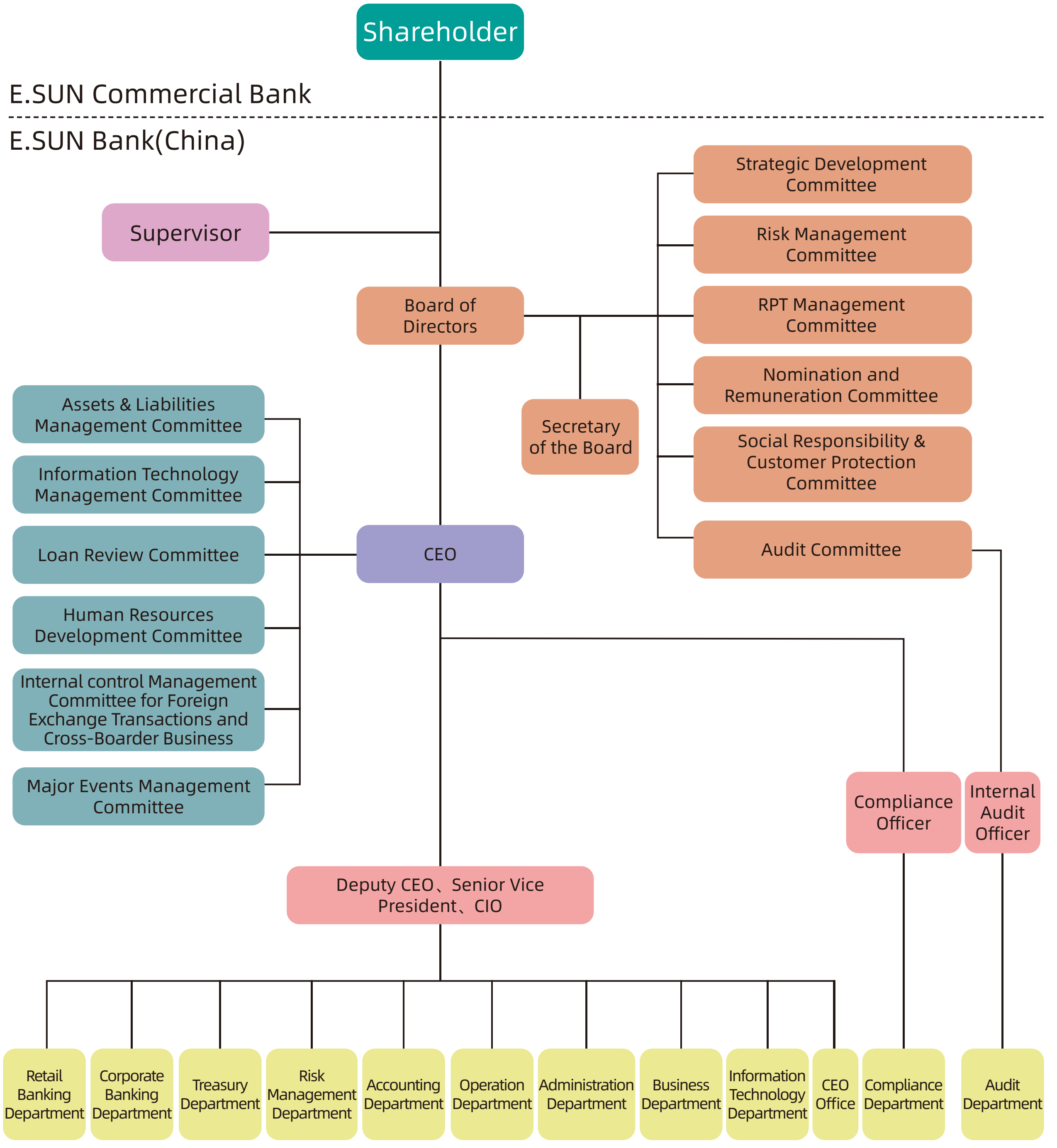
Category	Agency	Long-term Rating	Short-term Rating	Principal Rating	Outlook	Effective Date
International	Moody's	Baa1	P-2	—	Stable	2023.09
Domestic	CCXI	—	—	AA+	Stable	2023.09

6. External Recognition and Honors

Date	Recognition and Honors
Year 2023	E.SUN Bank(China) has been elected consistently as the chairman unit of the Association of Shenzhen Foreign Financial Institutions.
March, 2023	E.SUN Bank(China) was one of the first foreign banks to participate in offshore central clearing for foreign exchange transactions.
November, 2023	E.SUN Bank(China) received the "Excellent Case of Financial Technology Award" from the Shenzhen Banking Association.
December, 2023	E.SUN Bank(China) received " Excellent Case of Product Innovation Award" from City Commercial Banks Clearing Co., Ltd.
December, 2023	E.SUN Bank(China) received the "Best Progress Award in Digital Transformation Of Foreign Banks" at the 6th B&S Digital Banking and Securities Summit.
December, 2023	E.SUN Bank(China) was elected as "2023 Annual Digital Transformation Practice Benchmark Enterprises Award" in 2023 Annual Digital Transformation Practitioner Power List Selection.

II.Corporate Governance

1.Organization Chart



Note: This organizational chart only represents the internal organization setup of the bank. The reporting lines of each department may vary depending on the specific division of responsibilities at that time.

2. Shareholder Profile

This bank is wholly owned by E.SUN Commercial Bank. E.SUN Commercial Bank is a bank led by professional managers, entering its fourth decade and focusing on "deeply cultivating in Taiwan and expanding into Asia". It is committed to becoming a leader in financial innovation and actively building service networks in overseas markets. As of December 31, 2023, E.SUN Commercial Bank has established 31 branches in 10 countries and regions, including Hong Kong, Singapore, Los Angeles, Sydney, Brisbane and etc. In addition to the domestic operations (totaling 5 branches) of E.SUN(China) and the overseas subsidiary of Union Commercial Bank of Cambodia (totaling 14 branches), there are three representative offices in Hanoi, Ho Chi Minh City and Bangkok. In September 2023, the Financial Supervisory Commission of Taiwan approved the establishment of representative office in Kuala Lumpur, Malaysia by E.SUN Commercial Bank. In its fourth decade, E.SUN Commercial Bank continues to implement the "4+E" strategy and is committed to becoming the most distinctive benchmark bank in Asia.

E.SUN Commercial Bank has consistently adhered to the business philosophy of "integrity, professionalism, and responsibility", and emphasizes the management concept of "no business above all risk". All its business lines have steadily grown, and it has received recognition from international rating agencies and renowned magazines in wealth management, corporate governance, and social responsibility. S&P and Moody's have given E.SUN Commercial Bank a long-term credit rating of A and A2 investment grade respectively. In addition, it has received the highest award "Jade Award" in the Asia's Outstanding ESG Awards by the internationally renowned financial media "The Asset", has been selected as the number one bank in Taiwan in Forbes' " Best Banks" for three consecutive years, and has won four major awards including the "Best Business Model Innovation Award" in " the 2023 FCA Innovative Business Awards" by "Business Next" magazine, as well as three major awards including "Taiwan's Most Recommended Retail Bank" from "The Asian Banker".

In accordance with the Company Law and the Bank's Articles of Incorporation, E.SUN Commercial Bank approved the engagement of Deloitte Touche Tohmatsu CPA LLP as the auditor for the related financial audit and verification matters of 2022, as well as the financial statements, profit distribution for 2022, financial budget proposal for 2022, capital planning and capital adequacy management plan (2023-2025). It also reviewed the implementation of the E.SUN(China)'s annual related transaction management system. In addition, in 2023, E.SUN Commercial Bank approved the assessment of the performance of E.SUN(China)'s directors in 2022 and the performance of E.SUN(China)'s supervisor in 2022. The evaluation results were deemed satisfactory, and it reviewed the working reports of the Bank's board of directors and supervisor for 2022. According to the assessment of the performance of the Bank's shareholder by the Board of Directors in 2023, E.SUN bank has fulfilled its responsibilities and commitments in accordance with laws, regulations, regulatory requirements and the Bank's Articles of Incorporation.

To safeguard the rights and interests of shareholder, in addition to reporting relevant matters to the shareholders through the Board of Directors, the Bank has also formulated the "Shareholder Rights and Obligations Manual" to ensure that the shareholder understand their rights and assist them in fulfilling their corresponding obligations.

3. Division of Responsibilities

3.1 Responsibilities of the Board of Directors and Various Committees

3.1.1 The Board of Directors consists of nine directors, and its main responsibilities include: reporting to shareholders and implementing their decisions; deciding and approving important reports proposed by the CEO; determining the bank's business plans and investment schemes; formulating development strategies and overseeing their implementation; establishing annual financial budget plans, final account plans, profit distribution plans, and loss compensation plans; approving major related party transactions previously reviewed and approved by the Related Party Transaction Management Committee and other transactions that require Board approval according to relevant laws and regulations; formulating the bank's capital planning and taking ultimate responsibility for capital or solvency management; determining employee incentive plans and retirement benefit plans; responsible for information disclosure and bearing ultimate responsibility for the authenticity, accuracy, completeness, and timeliness of accounting and financial reports; safeguarding the legitimate rights and interests of consumers and other stakeholders, conducting regular evaluations and improving corporate governance of the bank; managing shareholders' affairs; and exercising other powers granted by laws, regulations, and the Bank's Articles of Incorporation.

3.1.2 The Strategic Development Committee consists of three directors, and its main responsibilities include: researching and formulating the bank's operational objectives and medium and long-term development strategies; supervising and evaluating the strategic implementation process; overseeing, inspecting, and evaluating the execution of annual business plans and investment schemes, etc.

3.1.3 The Risk Management Committee consists of five directors, and its main responsibilities include: reviewing the bank's risk management strategy, risk management policies, significant risk management matters, and major asset disposal projects; ensuring the integrity of the bank's risk management framework and the independence of credit decision-making; controlling, managing, assessing, and supervising risks, etc.

3.1.4 The Related Party Transaction Management Committee consists of three directors, and its main responsibilities include: responsible for managing related party transactions; reviewing and supervising the formulation and implementation of related party transaction management measures; supervising the establishment and improvement of the bank's related party transaction management system; conducting inspections and assessments of related party transactions, controlling related party transaction risks, etc.

3.1.5 The Nomination and Remuneration Committee consists of three directors, and its main responsibilities include: formulating selection procedures and criteria for directors and senior management; conducting preliminary reviews of candidates' qualifications for appointment; formulating assessment systems, compensation policies, and incentive plans for directors and senior management, and supervising the implementation of these policies and plans, etc.

3.1.6 The Social Responsibility and Customer Protection Committee consists of three directors, and its main responsibilities include: formulating strategies, policies, and objectives for the bank's customer protection work; reviewing and supervising the improvement and implementation of customer protection systems at the bank; listening to reports on customer protection work to oversee the comprehensiveness, timeliness, and effectiveness of the work of senior management and customer protection departments; reviewing the bank's performance in economic, environmental, and social public welfare undertakings; studying and discussing matters related to fulfilling social responsibility and providing guidance and supervision for senior management to carry out related work on social responsibility.

3.1.7 The Audit Committee consists of three directors, and its main responsibilities include: reviewing accounting policies, financial conditions, and financial reporting procedures; supervising the selection, appointment, independence, and performance of the auditing firm; examining risk and compliance status; overseeing and evaluating internal audit work and internal control systems; supervising the bank's compliance with relevant laws and regulations and its risk management, etc.

3.2 Responsibilities of Head Office Department

3.2.1 Retail Banking Department: Formulating operational strategies, workflow, and information system planning for personal banking business; planning and executing marketing projects, collecting and analyzing market information, integrating marketing project plans and implementing; planning and adjusting the organization and operation of personal banking marketing and operations, formulating and adjusting management systems, preparing and modifying management reports, collecting and analyzing industry information; devising customer segmentation and business direction, customer management systems; managing customer performance targets, collecting and analyzing market information for customer operation , improving referral processes, and implementing customer loyalty management, etc.

3.2.2 Corporate Banking Department: Responsible for managing corporate client relationships, providing comprehensive financial services such as corporate business lending, trade finance, and cash management based on corporate client attributes; statistics and analysis of corporate credit business management data; performance management of corporate business, planning and executing marketing activities, education and training; cross-border trade, accounts receivable, liquidity credit, cash management, foreign exchange credit and bill business product development, marketing planning and management, etc.

3.2.3 Treasury Department: Responsible for the daily operations of liquidity and fund management, market trading activities, such as money market operations, foreign exchange market operations, capital market operations, interbank business operations, and implementing the resolutions of the Assets and Liabilities Management Committee; responsible for analyzing term positions, interest rate trends, and other asset-liability management-related issues, measuring, supervising, controlling, and reporting liquidity risks under normal and stress conditions; analyzing the financial condition, industry prospects, national risk limits, and outlook of bond issuers.

3.2.4 Risk Management Department: Responsible for formulating risk management policies and principles, supervising the establishment of risk management, risk assessment and etc.; responsible for the approval of loans and rating of credit approvals, identification of non-performing loans, comprehensive risk management issues such as credit risk, operational risk, market risk, and other risks; responsible for establishing major risk management frameworks, including formulating risk identification, assessment, measurement and control standards, establishing risk management systems, operating rules, risk limits and providing support for risk management activities of risk-bearing departments, etc.

3.2.5 Accounting Department: Responsible for formulating and modifying various financial accounting policies, regulations and systems; responsible for designing, formulating, and modifying accounting books and forms; responsible for compiling and managing the budget of the bank and reporting on budget execution; responsible for daily accounting and financial transaction processing, establishing internal control mechanisms for financial accounting; responsible for capital management, including accounting, forecasting, reporting, and external disclosure, etc.

3.2.6 Operation Department: Provides support for daily operational activities, plans and supervises workflow execution; works closely with the IT department to ensure smooth execution of all work processes; investigates and resolves emergencies or major issues, maintains close communication with other business departments of head office, and manages operational activities for various product transactions; collaborates with business departments and compliance departments to ensure that relevant business operations comply with local laws, regulations and the bank's policies; formulates performance management for branches, plans and supports innovative business activities, etc.

3.2.7 Information Technology Department: Formulates information technology development strategies, ensures that information technology meets and aligns with business needs, uses information technology continuously and effectively to support decision-making and problem-solving; promotes digital transformation processes, driven by business needs, implements cost reduction, efficiency improvement, and innovative applications through digital tools and the introduction of automation and artificial intelligence; improves infrastructure facilities, designs data center processes according to ITIL standards to ensure compliance with service provisioning, service management, and disaster recovery requirements; driven by business needs, promotes application system development, optimizes and improves system performance, ensures the security, stability and availability of information systems through the application and management of information technology; considers information service and information security management requirements, uses information technology effectively to meet the operational needs of information service and information security management, supports long-term development, etc.

3.2.8 Administration Department : Responsible for establishing human resources systems, implementing standardized employee management, formulating personnel management systems and workflows, organizing, coordinating, and supervising the implementation of personnel systems and processes; responsible for personnel recruitment management, formulating annual manpower needs and recruitment plans, implementing personnel recruitment, selection, hiring, and placement; responsible for employee performance management, designing performance appraisal schemes and implementing them; responsible for employee compensation management, adjustment, and implementation of staff compensation and benefits, etc.; responsible for the construction of hardware, security facilities, fire protection and etc. for new branches; responsible for security management, establishing sound security regulations and preventive measures, conducting education and training; responsible for daily administrative management, including the security and maintenance of premises, property management, etc.

3.2.9 Business Department: Conducts various business activities approved by regulatorregulatory authorities, such as accepting deposits and making loans; implements the requirements and business policies of the headquarters, formulates work plans for various business departments, guides and supervises the team departments to achieve business performance targets and profit goals, and tracks the execution of performance, etc.

3.2.10 CEO Office: Responsible for overall strategic planning; formulates documentation management, seal usage, and other procedures, manages and distributes external and internal approval documents, including distribution and registration, etc.

3.2.11 Compliance Department: Effectively identifies and manages compliance risks faced by the bank; responsible for overall anti-money laundering and counter-terrorism financing work, providing updated information on anti-money laundering and counter-terrorism financing laws and planning related training; continuously monitors and correctly understands the latest developments in laws, regulations and guidelines, grasps the impact on the bank's operations and provides compliance advice to the Board of Directors and senior management in a timely manner; assists the Board Secretary in handling board-related matters, information disclosure and corporate governance as a secretariat of the board; maintains regular contact and communication with regulatory authorities, etc.

3.2.12 Audit Department: Reviews and promotes improvement in the bank's operational activities, risk management, internal control and compliance, and corporate governance; formulates and implements annual audit plans, conduct routine audits, special audits, exit audits, follow-up audits and others, evaluates rectification status, etc.

4. Composition of the Board of Directors, Supervisor and Senior Management

4.1 Composition of the Board of Directors

The Chairman and directors of the Bank are appointed by the shareholders and their qualifications are all approved by regulatory authorities. They start performing their duties from the date of filing their appointment with the regulatory authorities. There have been no changes of the members of the Bank's Board of Directors in 2023, and the composition is as follows:

Title	Name	Gender	Region	Education	Part-time and Work Experience	Date of Appointment (Initial Appointment)	Spouse or Relatives within Second Degree Working in the bank
Chairman/ Non-Executive Director	Magi Chen	Female	Taiwan	Master degree from University of Tennessee, Knoxville	Currently as a director of E.SUN Financial Holding and E.SUN Commercial Bank. Formerly as general manager of E.SUN Financial Holding and CFO/ executive vice president of both E.SUN Financial Holding and E.SUN Commercial Bank ; associate director of finance & banking department at E.SUN Commercial Bank.	JUNE 1, 2022 as chairman (APRIL 26, 2019)	None
Independent Director	Fan Min Kong	Male	China	PhD in Human Resources & Industrial Relations from University of Minnesota	Currently as deputy dean and master supervisor at Yan'an University Rural Development Research Institute; vice chairman and executive committee member at Shenzhen Association for Human Resource Management; senior researcher at China Enterprise Reform & Development Society; independent director at Huadi International Group Co., Ltd. and Senda Industry Co., Ltd. Formerly as associate professor and doctoral supervisor in management of Peking University HSBC School of Business ,and associate professor of Peking University Guanghua School of management in Human Resources and Industrial Relations and director of institute of corporate culture ,Independent Director of Zhuhai Guojia New Material Co., Ltd, CESTC, Shanxi Yangzhong New Materials CO., Ltd, and Shenzhen Aerogel Technology CO., Ltd, etc.	APRIL 26, 2019	None
Independent Director	King-Tse Huang	Male	Taiwan	Master degree in Finance & Banking from National Taiwan University	Currently as independent director of E.SUN Bank (China) Formerly as director of NTU Business Accounting Culture and Education Foundation ; a partner accountant of PwC Taiwan and a member of the Professional Education Committee of Taipei Association of accounts.	JUNE 1, 2022	None

Independent Director	Hsu-Chi Wang	Female	Taiwan	PhD in International Law from Peking University	Currently as full-time professor and academic exchange director at the Law School of Soochow University, an independent director at Taiwan Securities Trading Corporation, a visiting professor at Judicial Academy of Taiwan, an external review committee member at Taiwan Stock Exchange, an arbitrator at Taiwan Arbitration Association and an arbitrator at Shenzhen Arbitration Commission. Formerly as the associate dean of the Law School of Soochow University and a member of the Taipei City Government Procurement Appeals Review Committee in Taiwan.	JUNE 1, 2022	None
Independent Director	Yu-Bo Suen	Male	Taiwan	PhD in Finance & Banking from Tamkang University	Currently as full-time professor in the Department of Finance at Aletheia University, an adjunct professor in the Department of Economics at Tamkang University, and a member of the Faculty Evaluation Committee at Aletheia University. Formerly as a member of university affairs committee and university development committee at Aletheia University, an assistant researcher for Petroleum Strategy Center at National Cheng Kung University.	JUNE 1, 2022	None
Non-Executive Director	Jin Song Tan	Male	China	PhD in management from Renmin University of China	Currently as professor of the School of Management at Sun Yat-sen University, a member of the National Steering Committee for professional accounting graduate education, a board member of Chinese Auditing Society (CAS), executive director of the education branch of the Chinese Accounting Society, an advisor of Guangdong Provincial Accounting Society , deputy chairman of Guangzhou Auditing Society , president of Guangzhou Internal Audit Association , deputy chairman of Guangdong Institute of Certified Public Accountants . Formerly as vice dean of School of Management And head of The Department Of Accounting At Sun Yat-sen University.	As Independent Director from MARCH 17，2016 to MAY 31，2022 As Non-Executive Director from JUNE 1, 2022	None
Executive Director	Chung-Jen Tsao	Male	Taiwan	Master degree in Business from National Taiwan University	Currently as CEO of E.SUN Bank(China) . Formerly as executive Vice President & COO 0f E.SUN Bank(China) ,General Manager of DBS(China),General Manager of Temasek Fullerton (China)/ BOC Fullerton Community Bank, senior deputy general manager at Taiwan Mass Bank,director of Citibank's Taipei branch.	APRIL 26, 2019	None
Non-Executive Director	Chun-Yu Lin	Male	Taiwan	Master degree in Enterprise Management from National Chung Hsing University	Currently as spokesperson of E.SUN Financial Holdings and E.SUN Commercial Bank, chief marketing officer, assistant manager, special assistant to the General Manager's Office. Formerly as Senior Manager of the General Manager's Office at E.SUN Commercial Bank.	APRIL 26,2019	None

Non-Executive Director	Tung-Yu Hung	Male	Taiwan	Master degree in Enterprise Management from National Chung Hsing University	Currently as deputy director of International Financing Department at Corporate Finance Division of E.SUN Commercial Bank. Formerly as assistant manager and senior manager of International Financial Business Branch and Senior Manager at Corporate Finance Division of E.SUN Commercial Bank.	JUNE 1, 2021	None

4.1.1 Professionalism and Independence of Directors

Title	Name	Professional Qualifications and Experience	Independence	Number of Independent Directors Serving in Other Commercial Banks/ Enterprises in Mainland China
Chairman/ Non-Executive Director	Magi Chen	Former CEO and Chief Sustainability Officer of E.SUN Financial Holdings with a forward-looking vision and extensive financial expertise. With rapid and precise strategic planning and execution abilities, she has surpassed many goals along with the teams consistently, leading the organization towards a long-term vision of a sustainable future. She was awarded "Asia's Best CEO" by The Asset and Corporate Governance Asia, "the 25 Most Influential Female CFO in Asia" by Corporate Treasurer, "Asia's Best CFO" by Institutional Investor and Asia Money, and led E.SUN in obtaining MSCI ESG Rating AAA as well as the highest praise by Sustainalytics for "best performance in Asia" and "best performing".	1.Neither she/he nor her/his close relatives hold shares of this bank; 2.Neither she/he nor the enterprises that she/he controls hold shares of this bank; 3.There is no situation where their other positions significantly conflict with their current position in this bank or significantly distract their time and energy from fulfilling their duties.	None
Independent Director	Fan Min Kong	Former Associate Professor in Human Resources Management & Industrial Relations at Guanghua School of Management, Peking University; Associate Professor in Human Resources Management & Industrial Relations at HSBC Business School, Peking University; Lecturer in Economics at School of Economics, Peking University; Visiting Professor at Carlson School of Management, University of Minnesota; Visiting Professor at Graduate School of Business Administration (GSBA), Kyung Hee University (KHU). Served as an independent director for multiple listed companies with deep research on human resources management & industrial relations.		0/2
Independent Director	King-Tse Huang	Holder of the Certified Public Accountant (CPA) qualification in Taiwan with over 40 years' experience in accounting. He has served as a director of NTU Business Accounting Culture and Education Foundation; a partner accountant of PwC Taiwan and a member of the Professional Education Committee of Taipei Association of accounts. He is highly familiar with banking accounting and auditing work.		None

Independent Director	Hsu-Chi Wang	Currently serving as full-time professor and academic exchange director at the Law School of Soochow University, an independent director at Taiwan Securities Trading Corporation, a visiting professor at Judicial Academy of Taiwan, an external review committee member at Taiwan Stock Exchange, an arbitrator at Taiwan Arbitration Association and an arbitrator at Shenzhen Arbitration Commission. She has been involved in promoting emerging high-tech industries, creative industries, small and micro enterprises' listing and fundraising activities. Additionally, she has participated in securities listing reviews. Furthermore, she teaches courses on financial legal systems, corporate governance, cross-strait legal comparisons at the Taiwan Judicial Academy and possess knowledge of differences in cross-strait regulations as well as the mechanism for company listings in Taiwan.	1.Neither she/he nor her/his close relatives hold shares of this bank; 2.Neither she/he nor the enterprises that she/he controls hold shares of this bank; 3.There is no situation where their other positions significantly conflict with their current position in this bank or significantly distract their time and energy from fulfilling their duties.	None
Independent Director	Yu-Bo Suen	He is Currently serving as full-time professor in the Department of Finance at Aletheia University, an adjunct professor in the Department of Economics at Tamkang University, and a member of the Faculty Evaluation Committee at Aletheia University. In addition to teaching finance and financial management, he has been actively involved in discussions on the school's medium- to long-term academic development plans, formulation of organizational regulations, budget review, and planning for administrative matters.		None
Non-Executive Director	Jin Song Tan	He is a professor currently of the School of Management at Sun Yat-sen University and a Certified Public Accountant in China. His main research areas include accounting theory, capital and corporate governance, financial analysis and business evaluation, as well as entrepreneurial value. He has led corporate financial management and accounting projects. He also has practical experience in venture capital, management and financial consulting, accounting auditing and investment analysis, enterprise restructuring and stock issuance, and investment analysis in the securities market. He has served as an independent director or director of several banks and listed companies, and is familiar with bank operations.		1/7
Executive Director	Chung-Jen Tsao	The CEO of the bank, who has served as executive director of multiple banks and possesses rich management experience, also has extensive expertise in financial markets, corporate banking, and credit services for small and medium-sized enterprises. Since 2022, he has served as the Chairman of the Association of Shenzhen Foreign Financial Institutions.		None

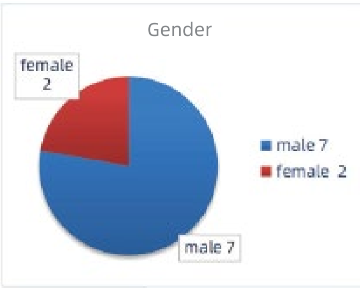
Non-Executive Director	Chun-Yu Lin	He is currently serving as the Chief Marketing Officer and spokesperson of E.SUN Commercial Bank. He participates in formulating the group's business development strategies, assists the executive team in implementing and promoting business plans, and possesses rich experience in strategy formulation and execution. In addition, he is involved in the group's roadshows and investor relations management, speaks on behalf of the group externally, and is familiar with brand building and promotion strategies.	1.Neither she/he nor her/his close relatives hold shares of this bank; 2.Neither she/he nor the enterprises that she/he controls hold shares of this bank; 3.There is no situation where their other positions significantly conflict with their current position in this bank or significantly distract their time and energy from fulfilling their duties.	None
Non-Executive Director	Tung-Yu Hung	He is currently serving as the Assistant Manager of the International Financing Department of the Corporate Finance Division of E.SUN Commercial Bank. He is proficient in the formation and preparation of international banking syndicates. He drives the expansion of project financing businesses such as photovoltaic loans, aircraft and ship financing, and commercial real estate financing. He manages and leads the PM and business teams to exceed targets consistently.		None

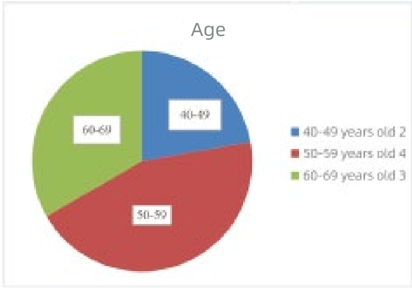
4.1.2 Diversity in the Composition of the Board of Directors

As a limited liability company, the Bank's Board of Directors is appointed by the shareholders in accordance with the Bank's Articles of Incorporation, adhering to the provisions of the Company Law and the Corporate Governance Guidelines for Banking and Insurance Institutions. All directors must have their qualifications approved by regulatory authorities before commencing their duties.

The Chairman of the Board of Directors is Ms. Magi Chen, reflecting the Bank's commitment to gender equality. Women constitute 22.2% of the Bank's Board, and there is a continued effort to enhance the representation of female directors in the future. The Bank also places a strong emphasis on diversity in the Board's composition, not only in terms of gender but also regarding industry experience. Directors bring a range of educational backgrounds and professional expertise, spanning risk management, law, finance, accounting, human resources management, and other related fields. They also possess extensive practical experience in the realms of economics and finance.

By cultivating a diverse board with members from varied backgrounds and areas of expertise, the Bank seeks to leverage a broad spectrum of perspectives, insights, and experiences in its decision-making, risk management, and strategic planning processes. This diversity is a cornerstone of the Bank's overall effectiveness and commitment to robust corporate governance.





4.1.3 Independence of the Board of Directors

The Bank ensures the independence of its Board of Directors through various measures, including the appointment of independent directors, the recording of board meetings, regular meetings of independent directors, director training programs, and regular communication with the management team.

A.Proportion of Independent Directors

The Bank's Board of Directors consists of 9 members, including 4 independent directors, which represents 44.44% of the total number of board members. This exceeds the requirement set by the Corporate Governance Guidelines for Banking and Insurance Institutions, which states that the proportion of independent directors should not be less than one-third of the total number of directors.

B.Recording of Board Meetings

Since its establishment, the Bank has been recording every board meeting in its entirety. The minutes are transcribed from the recorded files and sent to all directors and supervisor for review. After finalization, the minutes are signed by all directors and archived. Recording board meetings ensures the independence of all directors in fulfilling their duties and promotes accountability.

C.Regular Meetings of Independent Directors

Starting in 2021, the Bank has been holding regular meetings for independent directors, in accordance with the recommendations of the regulatory authority's Three-Year Action Plan for Improving Corporate Governance in Banking and Insurance Institutions (2020-2022). Independent directors elect a chairman for these meetings and discuss topics related to enhancing their effectiveness, the sustainable development of the Bank, communication with other banks, and other relevant matters. In the first meeting held on November 24, 2021, the independent directors acknowledged the Bank's respect for the culture of allowing directors to express their opinions. They expressed their confidence in the board's effectiveness and efficiency, attributing it to the comprehensive preparation by business departments and the secretariat with the Bank's culture of transparency and integrity.

D.Director Training and Communication with Management

To assist directors in understanding their rights and obligations as board members, the Bank provides training on relevant provisions of the Corporate Governance Guidelines for Banking and Insurance Institutions before their appointment. It also arranges meetings between senior management and newly appointed directors to share information regarding the Bank's history, organizational structure, current operations, directors' responsibilities, regulatory developments within mainland China, and other relevant topics. These efforts help directors familiarize themselves with the Bank's corporate governance practices.

E.Monthly Board Reports

To keep directors and supervisors informed of the Bank's operational status, the secretariat compiles a monthly report that includes information on new regulations and penalties in the industry, regulatory assessments and inspections, internal controls and compliance, risk management, business development, human resources, and information technology system construction. The report is sent to directors and supervisor for review.

4.2 Supervisor

The bank is a limited liability company, and according to the Company Law, it is allowed to have only one supervisor. Mr. Jian Hong Chen is appointed as the supervisor of the bank by the shareholder.

Title	Name	Region	Education Background	Part-time and Work Experience	Date of Appointment (Initial Appointment)	Spouse or Relatives within Second Degree Working in the bank
Supervisor	Jian Hong Chen	Taiwan	Master degree from the Graduate School of Business at Drexel University, USA	Currently as Senior Associate Director of the Corporate Finance Division at E.SUN Commercial Bank, Director of the United Commercial Bank (Cambodia), and supervisor of E.SUN Bank (China). Formerly as Associate Director, Section Chief, Deputy Manager, Manager, and Senior Manager of Corporate Finance Division of E.SUN Commercial Bank, Senior Manager of the Chengdong Corporate Finance Center in Taipei and the Singapore Branch of E.SUN Commercial Bank.	JAN 13, 2020	None

4.3 Senior Management

As of December 31, 2023, the bank's head office and various branches collectively have 17 senior executives. These include 1 CEO, 3 Deputy CEOs, 2 Senior Vice Presidents (one of whom also serves as the Secretary of the Board of Directors and Compliance Officer), 1 Chief Information Officer, 1 Internal Audit Officer, 3 Branch Managers, 3 Deputy Branch Managers, and 3 Branch Compliance Officers. All senior executives have secured the necessary qualifications from regulatory authorities prior to taking office. They operate within the scope of their authority as defined by the Company Law, the Board of Directors, and the President, maintaining effective communication with both the Board and the CEO. They lead their respective departments to successfully accomplish a variety of tasks, thereby supporting the company's business development. The composition of the company's senior management team is as follows:

Name	Title	Gender	Region	Date of Appointment	Education background	Work Experience	Part-time Job	Spouse or Relatives within Second Degree Working in the bank
Head Office								
Chung-Jen Tsao	CEO	Male	Taiwan	APRIL 26, 2019	Master degree in Business from National Taiwan University	With over 31 years of experience in banking services, he has formerly served as executive Vice President & COO of E.SUN Bank(China) ,General Manager of DBS(China),General Manager of Temasek Fullerton (China)/BOC Fullerton Community Bank, senior deputy general manager at Taiwan Mass Bank, director of Citibank's Taipei branch.	No	None
Zhi-Wei Yu	Deputy CEO	Male	Taiwan	SEP 21, 2020	Master degree in Enterprise Management from National Sun Yat-sen University	With over 29 years of experience in banking services, he has previously served as the Assistant President and Director of the Risk Management Department at E.SUN Bank (China) , as well as the Head of the Small and Medium Enterprise Unit at the Corporate Banking Department of E.SUN Commercial Bank, the Head of the SME Review Unit, and the Middle-Level Manager in the Risk Management Department.	No	None
Hung-Jung Wu	Deputy CEO	Male	Taiwan	JUNE12, 2023	Bachelor degree in Economics from National Tsing Hua University	With over 28 years of experience in banking services, he has previously held the position of Director of Corporate Customer management division at the Corporate Finance Division of E.SUN Commercial Bank. He also served as a Director at E.SUN Venture Capital Co., Ltd., and was a member of the Credit Business Review Committee of Taiwan banking Association.	No	None

Chao-Min Chen	Deputy CEO	Male	Taiwan	SEP 7,2023	Master degree in Enterprise Management from Bellevue University, USA	With over 28 years of experience in banking services, he has previously held the positions of Senior Associate Director, Associate Director, and Senior Manager at the Financial Marketing Department of E.SUN Commercial Bank. He also served as an Assistant Manager at the Los Angeles branch of E.SUN Commercial Bank.	No	None
Tsai,Kuo-Cheng	Senior Vice President	Male	Taiwan	NOV 19,2021	Master degree in Management from Chiayi University, Taiwan	With over 27 years of experience in banking services, he has previously held positions such as Manager of the Marketing Planning Department, Senior Manager of the Wealth Management Division, and Branch Manager of the Digital Branch at E.SUN Commercial Bank.	No	None
An-Pang Tai	Internal Audit Officer	Male	Taiwan	AUG 6,2018	Bachelor degree in Management from Fu Jen Catholic University, Taiwan	With more than 29 years of experience in banking services, he has served as the Manager of the Audit Department, Deputy Manager of the Corporate Finance Division, Assistant Manager of Taoyuan Corporate Finance Center, and Assistant Manager of the Zhongli Branch of E.SUN Commercial Bank.	No	None
Sheng-Hsiung Feng	Chief Information Officer	Male	Taiwan	AUG 3,2022	Bachelor degree in Information Management from Tamkang University, Taiwan	With over 9 years of experience in banking services, he has held positions such as Deputy Chief Engineer and Senior Deputy Chief Engineer at the Digital Information Development Center of the Information Technology Division, Senior Manager, Manager of the Digital Information Department, and Manager of the Application Development Department at E.SUN Commercial Bank.	No	None
Yu-Ting Chang	Senior Vice President, the Secretary of the Board of Directors, Compliance Officer	Male	Taiwan	the Secretary of the Board: MARCH 23, 2023 Senior Vice President and Compliance Officer: JUNE 6,2016	PhD in Civil and Commercial Law from China University of Political Science and Law	With over 20 years of experience in banking services, he has worked in various departments such as the Debt Management Division, Customer Service Division, Wealth Management Division, Corporate Finance Division, and served as Assistant Branch Manager and Chief Compliance Officer at Dongguan branch of E.SUN Commercial Bank.	No	None
Branch								
Chien Lung Ma	Branch Manager	Male	Taiwan	AUG 24,2022	EMBA degree from the National Taipei University of Technology	With over 20 years of experience in banking services, he has previously held positions such as Senior Manager of the Corporate Banking Group at Hong Kong branch of E.SUN Bank, Manager of Corporate Finance Group of Fubon Bank, and Deputy Manager of Corporate Finance Group of Taishin Bank.	No	None

Chiou-Bin Chen	Branch Manager	Male	Taiwan	NOV 6,2018	Bachelor degree in the Department of Finance from National Taiwan University	With over 20 years of banking experience, he has served as the President of Shenzhen branch of E.SUN Bank (China),Senior Manager of Overseas Business Division at E.SUN Commercial Bank, Deputy Manager of the Credit Department of Corporate Finance Division, Head of the Integrated Marketing Group at the headquarters, Manager of Xizhi branch, and Deputy Manager of Zhongxiao Corporate Finance Center.	No	None
Shao-Shu Hung	Branch Manager	Male	Taiwan	MAY 25,2021	Master degree in International Economics from National Dong Hwa University, Taiwan	With more than 19 years of banking experience, he has held roles including Assistant to the President of Shenzhen branch of E.SUN Bank (China), Senior Deputy Manager of Overseas Business Division at E.SUN Commercial Bank, Senior Deputy Manager of the Global Banking Department, Senior Deputy Manager of the North District Global Banking Center, and positions from Specialist to Senior Deputy Manager at Taoyuan Corporate Finance Center.	No	None
Zhi Yun Gan	Deputy Branch Manager	Female	China	DEC 20,2018	Bachelor degree in International Finance from South China University of Technology	With over 20 years of banking experience, she has worked as the Vice President in charge of the Corporate Finance Center of Guangzhou branch at DBS Bank (China) , a staff member of Guangzhou branch of The Bank of East Asia, and a staff member of Bailing Branch of Industrial and Commercial Bank of China.	No	None
Tse- Pin Wang	Deputy Branch Manager	Male	Taiwan	MARCH 1,2023	EMBA degree from the National Taipei University of Technology	With more than 19 years of banking experience, he has held positions such as Senior Manager of the Business Department at Dongguan branch of E.SUN Bank (China) , Manager of the Business Department at Chang'an branch in Dongguan, a business officer at the Chengdong Corporate Banking Center of E.SUN Commercial Bank, and Group Leader of the BMU at the Dun Nan Consumer Finance Center.	No	None
Yu-Lin Lin	Deputy Branch Manager	Male	Taiwan	MARCH 21,2023	Master degree in International Trade from Tamkang University, Taiwan	With over 18 years of experience in banking services, he has served as Deputy Manager of the business at Hong Kong branch of E.SUN Commercial Bank , Assistant Manager at Fubon Bank(China)'s branches, a Relationship Manager (RM) at Shin Kong Commercial Bank, and an AO at Taishin Bank.	No	None
Xiao Feng Ou	Compliance Officer	Female	China	MARCH 12,2018	Bachelor degree in Law from Dongguan University of Technology	With more than 11 years of banking experience, she has held roles including mid-level manager of Legal and Compliance Department at E.SUN Bank (China) and the Compliance Department at Shenzhen branch.	No	None
Chun-Chiang Wen	Compliance Officer	Male	Taiwan	JAN 28,2022	Bachelor degree in Financial and Economic Law from Fu Jen Catholic University, Taiwan	With over 14 years of banking experience, he has worked as a Legal Officer in the Debt Management Division at E.SUN Commercial Bank, a Legal Officer at the Taipei Debt Collection Center, the Compliance Officer at Dongguan branch and Shenzhen branch of E.SUN Bank (China).	No	None
Pei Xian Lin	Compliance Officer	Female	China	JAN 28,2022	Bachelor degree in Law from Guangzhou University	With more than 11 years of banking experience, she has been a mid-level manager of the Operations Group at Chang'an branch and Dongguan branch of E.SUN Bank (China).	No	None

5. Operation of the Board of Directors

In 2023, the board of directors of the bank convened a total of six meetings, with all directors attending in person. They reviewed 56 report items and deliberated on, then approved, 51 discussion items. Additionally, they received a performance evaluation report from the supervisor regarding the directors' performance for the year 2022, in which all directors were deemed competent in their roles. Leveraging their professional expertise and industry experience, the directors posed inquiries to the senior management on pertinent proposals, offered professional advice and insights, and ultimately made effective decisions. They supervised and guided the company's senior management in enhancing corporate governance, internal controls, and risk management systems, while also providing strategic direction for business expansion with the aim to align with the company's strategic objectives of stable and sustainable growth.

The board primarily exercised its authority through regular meetings and stayed informed by reviewing monthly board and audit reports, which facilitated a timely understanding of the company's risk management, internal controls, business development, human resources, and information technology infrastructure development. In terms of risk management, due to the insufficient effective demand in the mainland region and increased risks in the real estate sector in 2023, the directors attended quarterly risk management briefings to grasp the company's credit risk management strategies. They also oversaw the senior management's efforts to closely monitor and adjust the credit client industry watchlist based on business operations and to promptly revise and improve risk management policies in response to regulatory changes, thereby fortifying the company's comprehensive risk management framework. Regarding internal controls, the directors received updates on compliance risk management, internal audit findings, and the status of audit rectification. They urged the senior management to promptly revise regulations, refine operational processes, and ensure that all branch offices were informed and compliant. In the realm of business development, the directors reviewed monthly reports, listened to the president's briefings on business metrics and performance achievements, and tracked the progress of the annual operating plan and the rationality of budget targets. They encouraged the senior management to make steady progress towards realizing the company's vision. In the area of human resources development, the directors evaluated the appointment history, job performance, and professional competencies of proposed personnel to ensure the suitability of the senior management and core leadership team. They highlighted the importance of talent development and the strategic management of the entire workforce, including recruitment, training, and retention. Concerning information technology infrastructure, the directors received updates on the progress of major IT projects and deliberated on significant information system outsourcing proposals. They advised the senior management to continually strengthen IT infrastructure, enhance system capabilities to reduce manual effort, and improve operational efficiency. All directors demonstrated diligence and responsibility by personally attending all board meetings in 2023 and offering guidance and advice through various channels, including emails. According to the supervisor's evaluation of the directors' performance in 2023, each director fulfilled their duties capably.

Title	Name	Actual/Expected Number of Meetings Attended	Attendance	Actual/Expected Working Hours、Ratio	Times of Statements
Chairman/Non-Executive Director	Magi Chen	6/6	100%	263.89/120、219.91%	136
Independent Director	Fan Min Kong	6/6	100%	263.71/200、131.86%	136
Independent Director	King-Tse Huang	6/6	100%	265.63/120、221.36%	106
Independent Director	Hsu-Chi Wang	6/6	100%	270.58/-、-	29
Independent Director	Yu-Bo Suen	6/6	100%	266.74/-、-	17
Non-Executive Director	Jin Song Tan	6/6	100%	264.67/120、220.56%	61
Executive Director	Chung-Jen Tsao	6/6	100%	299.21/200、149.61%	123
Non-Executive Director	Chun-Yu Lin	6/6	100%	304.53/200、152.27%	43
Non-Executive Director	Tung-Yu Hung	6/6	100%	255.99/120、213.33%	27

The board of directors of the bank effectively implements the avoidance system, in which directors and supervisors with conflicts of interest recuse themselves from discussions and voting on relevant proposals before they are reported to the proposing departments. The avoidance of the board of directors in 2023 are as follows:

Name	Content of Motion	Cause of Avoidance	Voting
Magi Chen	Procurement of the 2023 EAI Upgrade Project from BankPro E-Services Technology Co., Ltd.	During her tenure as Chairman, Magi Chen was also serving as the General Manager of E.SUN Financial Holding Company. Since BankPro E-Services Technology Co., Ltd. is a subsidiary controlled by E.SUN Commercial Bank (which is 100% owned by E.SUN Financial Holding Company), and the motion involved interests of the associated company, she recused herself from the discussion.	Magi Chen refrained from participation in discussions and voting.
Magi Chen	Collaboration with BankPro E-Services Technology Co., Ltd. on the Customer Account Opening Electronicization Project	During her tenure as Chairman, Magi Chen was also serving as the General Manager of E.SUN Financial Holding Company. Since BankPro E-Services Technology Co., Ltd. is a subsidiary controlled by E.SUN Commercial Bank (which is 100% owned by E.SUN Financial Holding Company), and the motion involved interests of the associated company, she recused herself from the discussion.	Magi Chen refrained from participation in discussions and voting.
Magi Chen	Undertake interbank lending with E.SUN Commercial Bank	During her tenure as Chairman, Magi Chen was also serving as the Director of E.SUN Commercial Bank, and the motion involved interests of the associated company, she recused herself from the discussion.	Magi Chen refrained from participation in discussions and voting.
Magi Chen	Engage in derivative transactions with E.SUN Commercial Bank	During her tenure as Chairman, Magi Chen was also serving as the Director of E.SUN Commercial Bank, and the motion involved interests of the associated company, she recused herself from the discussion.	Magi Chen refrained from participation in discussions and voting.
Chung-Jen Tsao	Discuss the self-assessment of audit quality for the year 2022 and the performance of the Internal Audit Officer	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the Internal Audit Officer, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.
Chung-Jen Tsao	Annual assessment and bonus of the Internal Audit officer for the year 2022	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the internal audit officer, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.
Chung-Jen Tsao	Annual assessment and bonus of the senior managers for the year 2022	The motion involves the personal interests of Director Chung-Jen Tsao, and thus he has recused himself.	Chung-Jen Tsao refrained from participation in discussions and voting.
Chung-Jen Tsao	The evaluation of internal control for the bank in the year 2022	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the internal audit office, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.

Chung-Jen Tsao	The promotion of the Internal Audit Officer	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the internal audit officer, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.
Chung-Jen Tsao	Amendment of the 'Internal Audit Policy'	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the internal audit office, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.
Chung-Jen Tsao	Annual internal audit planning for the year 2024	Chung-Jen Tsao is the CEO of the bank's head office. To ensure the independence of the internal audit office, he recused himself from the discussion.	Chung-Jen Tsao refrained from participation in discussions and voting.

6. Operation of Board Committees

In 2023, there were no changes in the composition and membership of the various specialized committees of the board of directors of the bank. The meetings of each committee were held in accordance with regulatory requirements and the bank's Articles of Association. Each committee thoroughly discussed the proposals within their respective responsibilities and, depending on the circumstances, made inquiries to the senior management before making decisions. They provided feedback, opinions, and deliberation conclusions to the board of directors, assisting in efficient deliberations and decision-making.

Committee	Membership	Proportion of Independent Directors (External Regulation Requirement)	Times of Meeting	Number of Proposals	Attendance	Results of the Deliberation
Strategic Development Committee	Magi Chen（chairman）、Chung-Jen Tsao、Chun-Yu Lin	0/3(None)	1	3	100%	Approved
RPT Management Committee	Hsu-Chi Wang（chairman）、Yu-Bo Suen、Tung-Yu Hung	2/3（1/3）	5	12	100%	Known、Approved or approved after amendment
Audit Committee	King-Tse Huang（chairman）、Hsu-Chi Wang、Jin Song Tan	2/3（1/3）	6	33	100%	Known、Approved
Risk Management Committee	Chung-Jen Tsao（chairman）、Chun-Yu Lin、Tung-Yu Hung、King-Tse Huang、Fan Min Kong	2/5（1/3）	5	33	100%	Known、Approved or approved after amendment
Nomination and Remuneration Committee	Fan Min Kong（chairman）、Magi Chen、Yu-Bo Suen	2/3（1/3）	4	10	100%	Known、Approved
Social Responsibility &Customer Protection Committee	Jin Song Tan（chairman）、Fan Min Kong、Chun-Yu Lin	1/3(None)	3	6	100%	Known、Approved

In addition to fulfilling their responsibilities through regular meetings, the specialized committees also execute their duties through discussions with relevant parties. For instance, the Nomination and Remuneration Committee,

comprised of independent directors, engages in preliminary discussions with prospective candidates prior to meetings. These discussions aim to gain a comprehensive understanding of the candidates' career histories and job objectives. Following this, the committee provides feedback from these discussions and offers recommendations to the board, which aids in informing board resolutions.

Aligning with the requirement for auditor independence, the company appointed a new auditor for the annual financial report in 2023. To gain insights into the auditors' professional experience, the Audit Committee conducted discussions with the newly appointed auditors, focusing on their banking audit expertise and key areas of audit focus. In addition, the committee reviews the monthly newsletters provided by Deloitte Touche Tohmatsu CPA LLP, which enhances its grasp of current accounting standards.

These interactions and information exchanges, facilitated through discussions and newsletters, are instrumental in enabling the committees to effectively discharge their responsibilities.

7. Performance of Independent Directors

In 2023, the independent directors of the bank continue to be Mr. Fan Min Kong, Mr. King-Tse Huang, Ms. Hsu-Chi Wang, and Mr. Yu-Bo Suen. Mr. Fan Min Kong serves as the Chairman of the Nomination and Remuneration Committee, Mr. King-Tse Huang serves as the Chairman of the Audit Committee, and Ms. Hsu-Chi Wang serves as the Chairman of the Related Party Transactions Management Committee. The performance of all four independent directors met regulatory requirements, and the evaluation conducted by the supervisor confirmed their competent performance in 2023.

The independent directors of the bank actively participate in the board of directors' decision-making processes, offering independent and impartial opinions on matters requiring special attention. Regarding the legality and fairness of significant related-party transactions, the board of directors deliberated and approved two such transactions in 2023. All independent directors provided their opinions during the board's review of the relevant proposals and supplied written assessments concerning the legality and fairness of these transactions.

In the realm of senior management appointments, dismissals, and remuneration, the board of directors reviewed and approved four promotions or appointments in 2023. The Nomination and Remuneration Committee, comprising independent directors, held discussions with the prospective candidates before the board meeting and voiced their opinions and perspectives during the meeting.

Concerning the annual profit distribution plan, all independent directors reviewed the company's 2022 profit distribution on February 17, 2023. In compliance with the Company Law and related regulations in mainland China, the profits for 2022 were allocated to surplus reserves and general risk reserves.

In June and September of 2023, the independent directors visited the head office branch, Shenzhen branch, and Dongguan branch to gain a deeper understanding of the company's daily work environment and corporate culture. This direct exposure enabled them to more effectively supervise the senior management in fostering a positive work atmosphere.

On December 15, 2023, the 2nd meeting of the 3rd term of the independent directors was held, with Mr. Fan Min Kong, an independent director, elected as the chairman. During this session, they engaged in in-depth discussions and offered suggestions on matters such as directors' training, sustainable development, and peer communication, all aimed at enhancing the effectiveness of their roles.

8. Performance of Supervisor

In 2023, the supervisor attended every meeting of the Board of Directors and Specialized Committees in person. In June, the supervisor engaged in discussions and exchanges with company executives and peers, which allowed him to hear their concerns and more effectively supervise the senior management's efforts in implementing talent development initiatives and other related tasks. Additionally, in June and September, the supervisor accompanied the independent directors on visits to the Dongguan branch and the Shenzhen branch to gain a better understanding of the employees' daily work environment.

During June, the supervisor participated in business sharing and exchange sessions focusing on operating cost analysis, cross-border fund flows, and platform operations, thereby gaining valuable insights into the company's operational activities. He also fulfilled his supervisory role by attending meetings and closely reviewing both board and audit reports. Leveraging his professional expertise and industry experience, he offered guidance and suggestions, including capital management, risk management, and internal controls. Furthermore, he advised on the development and refinement of credit evaluation models, addressed issues related to industry or regional concentration risks, and the risk classification of credit assets.

Title/Name	Attendance at meetings of the Board of Directors and special committees	Attendance	Actual/Expected Working Hours、Ratio	Times of Statements
Supervisor/ Jian Hong Chen	Board of Directors：6；Risk Management Committee：5；Audit Committee：6；Strategic Development Committee：1；Nomination and Remuneration Committee：4；RPT Management Committee：5；Social Responsibility &Customer Protection Committee：3	100%	316.57/120、263.81%	133

9. Performance, Compensation Information, and Association with Risk Factors

9.1 Compensation Policy, Standards, and Establishment Procedures, and their Association with Business Performance and Future Risks

A. Regarding compensation for directors and supervisors, the bank has established a "Director and Supervisor Compensation System" which has been reviewed and approved by the shareholder. This system clearly defines the standards for remuneration, wages, and meeting fees for directors and supervisors. Furthermore, to establish a mechanism that links director performance evaluation with compensation, the system stipulates that the board of directors should propose reasonable compensation arrangements for directors based on their performance and submit them for shareholder approval.

B. To incentivize senior management to achieve and exceed company goals, create profits, and enhance business performance, while also considering the reasonable association with future risks, the bank has developed the "Senior Management Compensation System" in accordance with the external regulations. The system, reviewed and approved by the Nomination and Remuneration Committee and the Board of Directors, specifies the composition, standards, and approval process for senior management compensation.

To ensure the linkage between senior management compensation and business performance and risks, the bank has also established the "Senior Management Performance Evaluation System." The system clearly defines performance evaluation indicators for senior management, including compliance operations and risk management, closely aligning their compensation with the company's operational, compliance management, and risk management objectives.

The bonuses for senior management are determined based on the bank's overall operational results, considering unit performance, individual contributions, and future risks. Additionally, the bank implements a deferred payment mechanism for senior management performance compensation, disbursing 50% of the performance bonus in the current year, with the remaining 50% distributed equally over three years. In the event of risks or other circumstances, the company reserves the right to recover all performance-based compensation disbursed within the corresponding timeframe, withhold payment of any outstanding shares, and these provisions apply to former employees and retirees alike.

Currently, the bank provides performance-based compensation in the form of cash transfers and does not have non-cash incentive methods such as stock options.

C. For general employees' compensation, the bank has approved the "Salary and Compensation Management Regulations" by the President, detailing the composition and benefits of general employees' compensation. The compensation includes a fixed salary, variable pay, and other substantial reward measures. The fixed salary is determined based on positions and job grades within the company, considering factors such as index fluctuations, industry salary levels, and the bank's actual operating conditions. Variable pay is performance-based, taking into account the bank's overall business results, individual performance contributions, adherence to the bank's core values, and demonstration of management capabilities.

Each year, the bank comprehensively considers multiple factors, including overall compensation strategy, actual operating conditions, and market dynamics. It also refers to market salary surveys conducted by external consultant firms and compares salary levels with industry peers to adjust employee compensation levels, aiming to maintain attractiveness to outstanding talents and market competitiveness. As the bank's profitability and scale expand, it continues to optimize the compensation composition to support business development with a solid human resource foundation, contributing to the achievement of business plans and realization of operational vision.

In addition to fixed salary and variable pay, the bank also offers employees statutory social insurance, housing provident funds, commercial insurance, and health check-ups as benefits.

9.2 Total Compensation

In 2023, the total compensation for employees of the bank amounted to 121.79 million RMB. Among them, the total compensation for directors and supervisors was 1.19 million RMB and the total compensation for senior management 14.74 million RMB.

There were no exceptional circumstances in 2023 that exceeded the original compensation plan, and no cases of suspended, recovered, or deducted performance-based compensation occurred for any reasons.

9.3 Compensation for Non-Executive Directors and Independent Directors

Unit: RMB Thousand

Title	Compensation for Labor（A）	Committee Pay（B）	Conference Expense（C）	Inspection and Research Subsidy（D）	Total Amount and Percentage of Pre-tax Profit	
					Total Amount	Percentage
General Directors	100.00	93.00	51.00	2.00	246.00	0.26%
Independent Directors	358.33	333.00	234.00	15.00	940.33	1.01%

※ General Directors include：Magi Chen, Jin Song Tan

※ Independent Directors include：Fan Min Kong、King-Tse Huang、Hsu-Chi Wang、Yu-Bo Suen、Ryh-Yan Chang（Resigned on June 1, 2022）、Chuan-Hsing Huang（Resigned on June 1, 2022）.

※ According to the bank's regulations, directors and supervisors who receive executive compensation at Financial Holding Co., Ltd. and its directly or indirectly controlled subsidiaries will no longer receive the compensation stipulated by 'Director and Supervisor Compensation System'.

※ Chairman Magi Chen stepped down as the General Manager of E.SUN Financial Holding Co., Ltd., effective from August 1, 2023.

※ All amounts mentioned above are pre-tax.

9.4 Compensation for Senior Management

Unit: RMB million

Title	Name	Salary	Bonus	Amount
CEO	Chung-Jen Tsao	12.81	1.93	14.74
Deputy CEO	Zhi-Wei Yu			
Deputy CEO	Hung-Jung Wu*			
Deputy CEO	Chao-Min Chen *			
Internal Audit Officer	An-Pang Tai			
Senior Vice President	Kuo-Cheng Tsai			
Senior Vice President	Wen-Chieh Chang*			
Senior Vice President	Chien-Yao Wang*			

Chief Information Officer	Sheng-Hsiung Feng			
Senior Vice President, the Secretary of the Board of Directors, Compliance Officer	Yu-Ting Chang			
Manager of Shenzhen branch	Shao-Shu Hung			
Deputy Manager of Shenzhen branch	Yu-Lin Lin			
Compliance Officer of Shenzhen branch	Xiao Feng Ou			
Manager of Dongguan branch	Chien Lung Ma	12.81	1.93	14.74
Deputy Manager of Dongguan branch	Tse- Pin Wang			
Compliance Officer of Dongguan branch	Pei Xian Lin			
Manager of Guangzhou branch	Chiou-Bin Chen			
Deputy Manager of Guangzhou branch	Zhi Yun Gan			
Compliance Officer of Guangzhou branch	Chun-Chiang Wen			

9.5 Compensation level

Unit: RMB million

Title	Name	1-3	0.5-1	0-0.5
Chairman/Non-Executive Director	Magi Chen			V
Independent Director	Fan Min Kong			V
Independent Director	King-Tse Huang			V
Independent Director	Hsu-Chi Wang			V
Independent Director	Yu-Bo Suen			V
Non-Executive Director	Jin Song Tan			V
Executive Director	Tung-Yu Hung			V
Non-Executive Director	Chun-Yu Lin			V
Supervisor	Jian-Hong Chen			V
CEO	Chung-Jen Tsao	V		
Deputy CEO	Zhi-Wei Yu		V	
Deputy CEO	Hung-Jung Wu*		V	
Deputy CEO	Chao-Min Chen *		V	
Internal Audit Officer	An-Pang Tai		V	
Senior Vice President	Kuo-Cheng Tsai		V	
Senior Vice President	Wen-Chieh Chang*			V
Senior Vice President	Chien-Yao Wang*		V	
Chief Information Officer	Sheng-Hsiung Feng		V	
Senior Vice President, the Secretary of the Board of Directors, Compliance Officer	Yu-Ting Chang		V	
Manager of Shenzhen branch	Shao-Shu Hung		V	
Deputy Manager of Shenzhen branch	Yu-Lin Lin		V	
Compliance Officer of Shenzhen branch	Xiao Feng Ou		V	
Manager of Dongguan branch	Chien Lung Ma		V	
Deputy Manager of Dongguan branch	Tse- Pin Wang		V	
Compliance Officer of Dongguan branch	Pei Xian Lin			V
Manager of Guangzhou branch	Chiou-Bin Chen		V	
Deputy Manager of Guangzhou branch	Zhi Yun Gan	V		
Compliance Officer of Guangzhou branch	Chun-Chiang Wen			V

* Hung-Jung Wu (Joined in March 2023)、Chao-Min Chen (Joined in April 2023)
* Wen-Chieh Chang (Resigned in March 2023)、Chien-Yao Wang (Resigned in June 2023)

III.Capital Overview

Since its establishment, the Bank has demonstrated overall stable performance in its various business operations and financial indicators. The specific analysis is as follows:

1. Financial and Performance Status in 2023

1.1 Financial Status in 2023

Unit: RMB Ten Thousand

Item / Year	2023	2022	Growth	
			Amount	%
Cash and balances with central bank	125,022	146,934	-21,912	-14.91%
Balances with banks[1]	37,510	27,646	9,864	35.68%
Placements with banks and other financial institutions[2]	95,716	151,831	-56,115	-36.96%
Derivative financial assets[3]	12,272	7,416	4,856	65.48%
Loans and advances to customers	814,884	830,024	-15,140	-1.82%
Financial investments at fair value through profit or loss("FVTPL")	4,039	-	4,039	-
Financial investments at amortised cost[4]	41,490	74,393	-32,903	-44.23%
Financial investments at fair value through other comprehensive income("TVTOCI")[5]	599,658	434,969	164,689	37.86%
Investment properties	32,885	33,996	-1,111	-3.27%
Property and equipment	25,096	25,574	-478	-1.87%
Right-of-use assets	7,463	8,090	-627	-7.75%
Intangible assets[6]	3,091	1,944	1,147	59.00%
Deferred tax assets	2,092	2,917	-825	-28.28%
Other assets[7]	19,339	4,861	14,478	297.84%
TOTAL ASSETS	1,820,557	1,750,595	69,963	4.00%
Deposits from banks and other financial institutions[8]	5,330	28,575	-23,245	-81.35%
Placements from banks and other financial institutions	247,623	303,294	-55,671	-18.36%
Derivative financial liabilities[9]	13,944	10,624	3,320	31.25%
Financial assets sold under repurchase agreements	140,156	141,222	-1,066	-0.75%
Deposits from customers	1,166,875	1,025,855	141,020	13.75%
Employee benefits payable	1,885	1,962	-77	-3.92%
Tax payable	842	862	-20	-2.32%
Lease liabilities	8,283	8,716	-433	-4.97%
Debt securities issued[10]	5,993	9,991	-3,998	-40.02%
Other liabilities[11]	4,315	3,273	1,043	31.88%
TOTAL LIABILITIES	1,595,246	1,534,374	60,872	3.97%
Paid-in capital	200,000	200,000	-	0.00%
Capital reserve	9,602	9,602	-	0.00%
Other comprehensive income[12]	1,877	-268	2,145	800.37%
Surplus reserve[13]	1,383	689	694	100.73%
General reserve[14]	12,449	6,198	6,250	100.82%
TOTAL EQUITY	225,311	216,221	9,089	4.20%
TOTAL LIABILITIES AND EQUITY	1,820,557	1,750,595	69,963	4.00%

Note 1: Due to liquidity and fund settlement needs, there had been a moderate increase in interbank current deposits.
Note 2: Consistent with the expansion of the financial investment portfolio, there had been a decrease in interbank borrowing and lending activities.
Note 3: The increase was mainly due to premiums and changes in the fair value of financial instruments, such as foreign exchange options purchased and currency swaps.
Note 4: This decrease was primarily due to a reduction in investments in financial bonds, which are measured at amortized cost.
Note 5: The rise was primarily attributed to an increase in investments in government bonds, foreign bonds, and interbank certificates of deposit, measured at fair value through other comprehensive income.
Note 6: The increase was mainly due to the purchase of business system-related software.
Note 7: The rise was primarily due to an increased concentration of margins for foreign exchange trading clearing.
Note 8: This decline was mainly attributable to a reduction in current deposits from non-deposit-taking financial institutions.
Note 9: The increase was primarily due to premiums and fair value changes related to financial instruments such as sold foreign exchange options and currency swaps.
Note 10: This decrease was primarily due to a reduction in the issuance of interbank certificates of deposit.
Note 11: The increase was mainly due to a rise in the provision for off-balance sheet guarantees and financing commitments.
Note 12: This increase was primarily due to enhanced assessment benefits for government bonds and financial bonds, measured at fair value through other comprehensive income.
Note 13: The withdrawal was made in compliance with the regulations for the allocation of statutory reserves.
Note 14: The withdrawal was made in compliance with the regulations for the allocation of general risk reserves.

1.2 Financial Performance in 2023

Unit: RMB Ten Thousand

Item \ Year	2023	2022	Growth	
			Amount	%
Total operating income	33,932	34,536	-604	-1.75%
Net interest income[1]	17,985	23,293	-5,308	-22.79%
Net fee and commission income	1,913	1,672	241	14.41%
Investment income[2]	9,984	6,004	3,980	66.29%
Other income	4,050	3,567	483	13.54%
Operating costs	24,138	23,132	1,006	4.35%
Credit impairment losses[3]	475	2,366	-1,891	-79.92%
Operating profit	9,319	9,038	281	3.11%
Net Non-operating income	14	38	-24	-63.16%
Total profit	9,333	9,076	257	2.83%
Income tax expenses	2,388	2,141	247	11.54%
Net profit	6,945	6,935	10	0.14%
Other comprehensive income, net of tax4	2,145	-2,773	4,918	177.35%
Total comprehensive income[4]	9,090	4,162	4,928	118.40%

Note 1: The decrease was primarily attributable to the downward trend in RMB interest rates, which has significantly narrowed the loan-deposit interest spread and consequently led to a reduction in the overall interest margin.
Note 2: The increase was mainly a result of capitalizing on favorable bond market conditions and realizing investment gains through the disposal of certain bonds.
Note 3: The decrease was mainly due to a reduction in the volume of credit assets in 2023, leading to a lower provision for credit impairment compared to the previous year.
Note 4: The increase was primarily a result of higher evaluation gains on government and financial bonds, which are measured at fair value with changes recorded in other comprehensive income.

2. Consolidated Balance Sheets and Income Statements for the Last Five Fiscal Years

2.1 Consolidated Balance Sheets

Unit: RMB Ten Thousand

Item \ Year	Capital Overview for the Last Five Fiscal Years（2019-2023）[1]				
	2023	2022	2021	2020	2019
Cash and balances with central bank	125,022	146,934	79,624	70,131	59,803
Balances with banks	37,510	27,646	69,461	75,990	145,193
Placements with banks and other financial institutions	95,716	151,831	159,430	280,336	139,244
Derivative financial assets	12,272	7,416	4,749	4,628	216
Loans and advances to customers	814,884	830,024	712,450	479,697	420,144
Financial investments at fair value through profit or loss("FVTPL")	4,039	-	1,013	5,045	-
Financial investments at amortised cost	41,490	74,393	25,558	25,522	25,484
Financial investments at fair value through other comprehensive income("TVTOCI")	599,658	434,969	400,991	300,404	280,934
Investment properties	32,885	33,996	35,108	36,220	37,331
Property and equipment	25,096	25,574	26,954	28,133	28,928
Right-of-use assets	7,463	8,090	8,068	8,671	11,096
Intangible assets	3,091	1,944	1,898	1,398	1,659
Deferred tax assets	2,092	2,917	1,925	2,613	2,662
Other assets	19,339	4,861	3,064	3,513	3,569
TOTAL ASSETS	1,820,557	1,750,595	1,530,293	1,322,301	1,156,263
Deposits from banks and other financial institutions	5,330	28,575	16,328	44,852	73
Placements from banks and other financial institutions	247,623	303,294	333,549	252,887	219,201
Derivative financial liabilities	13,944	10,624	4,082	4,345	229
Financial assets sold under repurchase agreements	140,156	141,222	93,904	-	19,837
Deposits from customers	1,166,875	1,025,855	855,624	800,439	698,547
Employee benefits payable	1,885	1,962	1,447	1,512	1,317
Tax payable	842	862	1,057	1,198	469
Other liabilities	4,315	3,273	3,740	3,677	2,875
Lease liabilities	8,283	8,716	8,503	9,035	11,267
Debt securities issued	5,993	9,991	-	-	-
TOTAL LIABILITIES	1,595,246	1,534,374	1,318,234	1,117,945	953,815
Paid-in capital	200,000	200,000	200,000	200,000	200,000
Capital reserve	9,602	9,602	9,602	9,602	9,602
Other comprehensive income	1,877	-268	2,505	25	636
Retained profits	-[2]	-[2]	-48	-5,271	-7,790
Surplus reserve	1,383	689	-	-	-
General reserve	12,449	6,198	-	-	-
TOTAL EQUITY	225,311	216,221	212,059	204,356	202,448
TOTAL LIABILITIES AND EQUITY	1,820,557	1,750,595	1,530,293	1,322,301	1,156,263

Note 1: The financial statements for the aforementioned years had been audited by independent auditors. The preparation of these statements was based on the audit reports issued by the respective auditors.

Note 2: Since 2022, the accumulated profits had been positive. In accordance with the relevant regulations, allocations had been made to reserves for retained earnings and general risk reserves, resulting in no dividend distribution to shareholders.

2.2 Consolidated Income Statements

Unit: RMB Ten Thousand

Item \ Year	Capital Overview for the Last Five Fiscal Years (2019-2023)[1]				
	2023	2022	2021	2020	2019
Total operating income	33,932	34,536	30,220	28,256	26,510
Net interest income	17,985	23,293	20,444	17,710	16,796
Interest income	59,026	48,150	40,412	34,886	36,312
Interest expenses	41,041	24,857	19,968	17,176	19,516
Net fee and commission income	1,913	1,672	3,245	1,404	1,509
Fee and commission income	2,300	1,953	3,498	1,636	1,667
Fee and commission expenses	387	281	253	232	158
Investment income	9,984	6,004	2,545	7,356	6,525
Other income	73	498	73	110	394
Gains on fair value changes	1,851	1,362	862	-702	-35
Foreign exchange gains	1,375	1,017	2,505	1,831	415
Other operating income	751	690	546	547	906
Total operating expenses	24,613	25,498	23,070	24,730	26,464
Tax and surcharges	985	746	847	676	200
Operating and administrative expenses	22,041	21,274	18,943	18,165	17,815
Credit impairment losses	475	2,366	2,168	4,777	7,337
Other operating costs	1,112	1,112	1,112	1,112	1,112
Operating profit	9,319	9,038	7,150	3,526	46
Add: Non-operating income	53	50	22	22	36
Less: Non-operating expenses	39	12	9	36	14
Total profit	9,333	9,076	7,163	3,512	68
Less: Income tax expenses	2,388	2,141	1,939	994	-1,616
Net profit	6,945	6,935	5,224	2,518	1,684
Other comprehensive income, net of tax	2,145	-2,773	2,480	-611	-4,211
Total comprehensive income	9,090	4,162	7,704	1,907	-2,527

Note 1: The financial statements for the aforementioned years had been audited by independent auditors. The preparation of these statements was based on the audit reports issued by the respective auditors.

3. Auditor's Opinions for the Past 5 Years

For the financial year 2019, the financial information was subject to an unqualified opinion audit report by Deloitte Touche Tohmatsu Certified Public Accountants LLP, with Mr. Wei Zhu and Ms. Li Ping Qiu serving as the auditors.
For the financial year 2020, an unqualified opinion audit report was issued by the same firm, with Mr. Wei Zhu and Mr. Ying Yue Shi identified as the auditors.
From the financial year 2021 to 2022, unqualified opinion audit reports were consistently provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP, again engaging Mr. Wei Zhu and Ms. Li Ping Qiu as the auditors.
For the financial year 2023, the financial information received an unqualified opinion audit report from Deloitte Touche Tohmatsu Certified Public Accountants LLP, with the auditors being Ms. Li Ya Jiang and Ms. Chang Hong Yang.

4. Financial Analysis for the Last Five Fiscal Years

4.1 Financial Analysis

Item \ Year		Capital Overview for the Last Five Fiscal Years (2019-2023)[1]				
		2023	2022	2021	2020	2019
Profitability	ROA	0.39%	0.42%	0.37%	0.20%	0.15%
	ROE	3.15%	3.24%	2.51%	1.24%	0.83%
	CI Ratio	68.23%	64.82%	66.36%	68.22%	71.40%
	NIM[2]	1.06%	1.50%	1.52%	1.53%	1.63%
Financial Structure	Debt to Assets Ratio	88%	88%	86%	85%	82%
	Debt to Equity Ratio	708%	710%	622%	547%	471%
Growth	Asset Growth Rate[3]	4%	14%	16%	14%	8%
	Profit Growth Rate[4]	0.14%	32.75%	107.47%	49.52%	125.13%
Liquidity	Liquidity Ratio	66.47%	78.84%	98.71%	95.68%	72.21%
	Liquidity Coverage Ratio	172.89%	151.25%	142.75%	159.29%	151.41%
	High-Quality Liquid Assets Adequacy Ratio	124.37%	142.46%	122.31%	186.44%	114.08%
Asset Quality	NPL Ratio	0	0	0	0	1.03%

The following explains the reasons for the changes in various financial ratios in the last two years:
Note 1: The ratios pertaining to profitability, financial structure, and growth were derived from audit reports prepared by the respective auditors. Ratios related to liquidity and asset quality were based on non-site supervision reports submitted to the regulatory authorities.
Note 2: The net interest margin had declined compared to the same period in the previous year, primarily due to the downward trend in RMB interest rates, which had led to a reduction in the loan-deposit interest spread.
Note 3: The asset growth rate had seen a decrease compared to the same period in the previous year, mainly attributed to insufficient market demand and a slower-than-anticipated economic recovery in 2023. Furthermore, in response to the ongoing decline in RMB loan rates, the bank had proactively adjusted its lending rate structure, resulting in a loan portfolio that remained stable year-over-year.
Note 4: The profit growth rate had also decreased relative to the same period in the previous year, mainly due to the continued decline in RMB interest rates and the associated narrowing of the loan-deposit interest spread. This had resulted in a more significant drop in net interest income compared to the previous year.

A. Profitability
ROA = Net Profit / Average Total Assets
ROE= Net Profit / Average Shareholders' Equity
CI Ratio = (Operating Expenses - Taxes and Levies - Credit Impairment Losses) / Operating Income
NIM = Net Interest Income / Average Interest-Earning Assets

B. Financial Structure
Debt-to-Assets Ratio = Total Liabilities / Total Assets
Debt-to-Equity Ratio = Total Liabilities / Total Shareholders' Equity

C. Growth
Asset Growth Rate = (Current Year's Total Assets - Previous Year's Total Assets) / Previous Year's Total Assets
Profit Growth Rate = (Current Year's Net Profit - Previous Year's Net Profit) / Previous Year's Net Profit

D. Liquidity
Liquidity Ratio = Liquid Assets Balance / Liquid Liabilities Balance; According to regulatory requirements, this ratio should not be lower than 25%.
Liquidity Match Ratio = Weighted Funding Sources / Weighted Funding Uses; According to regulatory requirements, this ratio should not be lower than 100%.
High-Quality Liquid Assets Adequacy Ratio = High-Quality Liquid Assets / Short-Term Net Cash Outflows; According to regulatory requirements, this ratio should not be lower than 100%.

E. Asset Quality
Non-Performing Loan Ratio = Non-Performing Loans / Total Loans

4.2 Capital Adequacy

Unit: RMB Ten Thousand

Item	Year	BIS and Leverage Ratio for the Last Five Fiscal Years (2019-2023)				
		2023	2022	2021	2020	2019
Capital Adequacy	Total weighted risk assets	1,780,951	1,618,340	1,523,841	1,420,560	1,460,594
	Including: Credit risk weighted assets	1,407,852	1,443,185	1,286,507	1,222,599	1,241,937
	Market risk weighted assets	311,417	117,022	184,114	150,737	180,381
	Operational risk weighted assets	61,682	58,133	53,220	47,224	38,276
	Net capital	235,001	228,132	221,077	210,426	204,502
	Including: Net core tier 1 capital	222,220	214,274	210,160	202,923	199,714
	Net tier 2 capital	12,781	13,858	10,917	7,503	4,788
	Core tier 1 capital adequacy ratio[1]	12.48%	13.24%	13.79%	14.28%	13.67%
	Tier 1 capital adequacy ratio[2]	12.48%	13.24%	13.79%	14.28%	13.67%
	Capital adequacy ratio[3]	13.20%	14.10%	14.51%	14.81%	14.00%
	Leverage Ratio[4]	9.42%	10.81%	11.95%	13.45%	14.00%

Note 1: The Core Tier 1 capital adequacy ratio is calculated as the Core Tier 1 capital net amount divided by the weighted risk assets. As per regulatory requirements, this ratio should remain above 7.5%.

Note 2: The Tier 1 capital adequacy ratio is determined by dividing the Tier 1 capital net amount by the weighted risk assets. In line with regulatory stipulations, this ratio should remain above 8.5%.

Note 3: The capital adequacy ratio is the quotient of the total capital net amount and the weighted risk assets. Regulatory requirements dictated that this ratio should not be lower than 10.5%. Commencing January 1, 2024, the 'Commercial Bank Capital Management Measures' will be officially enforced. Based on the classification criteria defined by these new regulations, the bank is categorized as a second-tier commercial bank. Under the new calculation methods, the bank's capital adequacy ratio had seen an improvement.

Note 4: The leverage ratio is expressed as (Tier 1 capital minus capital deductions) divided by the adjusted on- and off-balance sheet assets. Regulatory guidelines specify that this ratio should not dip below 4%.

5. The Evaluation Results of the Audit Committee on the Quality of the 2023 Audit Report by the External Audit Firm and The Compliance with the Audit Engagement Letter

The annual financial statements of E.SUN Bank (China) Co., Ltd. for the year 2023 were audited by Deloitte Touche Tohmatsu CPA LLP, with Ms. Li Ya Jiang as the lead auditor and Ms. Chang Hong Yang as the co-signing auditor. Members of the bank's Audit Committee, prior to the commencement of the external audit, reviewed the annual audit plan which included the scope and schedule of audit services, materiality levels, specific considerations, and major risks of misstatement, as well as the main audit procedures reported by the auditors. Following the completion of the audit, the committee listened to the auditors' report on the audit conclusions, key accounting data and financial indicators, the state of the balance sheet, internal control audit findings, follow-up on the key points discussed in the three-way meeting, and the focus areas of regulatory compliance and management recommendations. Additionally, the committee reviewed the signed audit report and management letter for the year 2023, taking into account the independence, professionalism, prudence, external supervision, and fulfillment of the audit engagement letter by the external audit firm and its personnel. Based on this, an evaluation of the quality of the external auditor's report was conducted. The results indicate that the quality of the audit report issued by the external audit firm and the team for the year 2023 is good, and the fulfillment of the audit engagement letter is satisfactory.

6. The Recent Annual and Annual Report Printing Dates of the Bank Should Highlight the Impact of Any Financial Difficulties on the Bank's Financial Condition

None.

7. The Significant Capital Expenditures That Had an Impact on the Financial Operations in the Past Three Years

(1) In 2023, the Dongguan branch relocated its premises, incurring a capital expenditure of 12.17 million RMB for the renovation. In 2022, the Shenzhen branch relocated its premises, incurring a capital expenditure of 7.6 million RMB for the renovation. There were no significant capital expenditures in 2021.

(2)After the relocation of the premises, overall rental expenses have decreased, and it has improved the business office environment, enhancing operational efficiency and benefiting the long-term development of the bank.

IV.Operating Status

1. Business Content

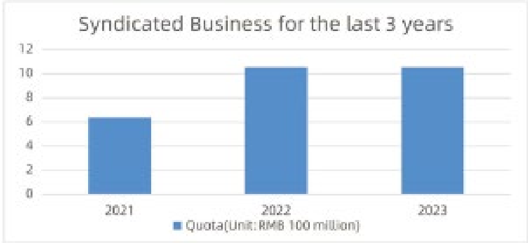
1.1 Corporate Banking

1.1.1 Overview of Corporate Banking

In 2023, the bank will continue to offer a range of financial services to its customers and will collaborate with the overseas branches of E.SUN to establish a cross-border financial platform. The total loan balance for the bank in 2023 reached 8.25 billion RMB, excluding loans to non-deposit financial institutions, which is consistent with the end of 2022. This stability is primarily due to the bank's strategic optimization and adjustment of its loan customer base in 2023, which helped to stabilize the quality of credit assets and achieve a steady increase in the scale of operations.

1.1.2 Targeted High-quality Projects and Developed Characteristic Syndicated Business

In order to provide high-quality service, the bank fully utilizes the advantages of being a foreign bank in China and proactively collaborate with other financial institutions. Meanwhile, the bank draws valuable experience and expertise from our headquarters when seeking opportunities for hosting syndicated loans. In 2023, the bank led four syndicated loans, with a cumulative total of 1.05 billion RMB. In the near future, the bank aims to further expand product management teams(PM) and relationship management teams(RM) to increase our distribution scale in financial institutions.



1.1.3 Fully Developed Trade Finance Business for Promoting Real Economic Growth

In addition to reinforcing connections with both foreign and local customer groups, the bank is committed to enhancing its competitiveness in the commodities sector. It is building a product management team and expanding its trade finance services, which include guarantees, letters of credit, and import and export financing. This is to meet the diverse financial needs of enterprises, particularly those with cross-border operations. By leveraging the strengths of E.SUN and its network of overseas correspondent banks, the bank aims to support enterprises in their international expansion efforts.

(1)To Initiate the Development of Bill Business and Reduce Corporate Financing Costs

In 2023, the bank directly integrated with the new generation bill business system of Shanghai Commercial Paper Exchange Corporation Ltd develop discounting services. By balancing asset scale, liquidity, revenue, and risk, and through the interplay of bill discounting and rediscounting, the bank channeled low-cost funds from the financial market. This will effectively shorten the corporate capital turnover period and reduce corporate financing costs.

The developments and changes in the bill business for 2023 are as follows:

Unit: RMB 100 million

Bill Business	2023	2022	Growth
Accepting	2.3	3.5	-34%
Discounting	3.5	0.2	1650%
Endorsement Transfer	9.3	3.8	146%
Collection	1.8	2.2	-19%

(2) Specialized Factoring Business Team Strengthens Supply Chain Financing Services

To meet the specialized needs of corporate receivables financing for both upstream and downstream entities, the bank has established a dedicated factoring business team. This team aids enterprises in managing their receivables, mitigating buyer credit risks, and offering streamlined fund settlement services. In 2023, the total volume of invoices reached 2.19 billion RMB, with the cumulative financing amount totaling 0.54 billion RMB.

(3)International Import and Export Letter of Credit and Financing Business

To further support domestic enterprises, the bank provides Import and Export letter of credit services for enterprises, and supports trade financing to promote international trading. As of December 31, 2023, the bank's issued letters of credit (including standby letters of credit/guarantees) amounted to 0.14 billion dollars, and import and export OA contracts amounted to 80 million.

1.1.4 Respond to Mainland Policies, Actively Develop Technology and SME Finance

(1) Provided Financial Services for Technology Companies

In 2023, the bank has been actively refining its fin-tech strategies. We have created green approval channels specifically for SRDI Giants and SRDI SMEs, thereby enhancing the credit approval efficiency for tech-based SMEs through internal process optimization. Additionally, we have incentivized our business departments to offer specialized financial services to tech enterprises through strategic performance metrics and competitive initiatives. Over the course of 2023, the bank served 70 high-tech enterprises with a loan volume of approximately 2.28 billion RMB.

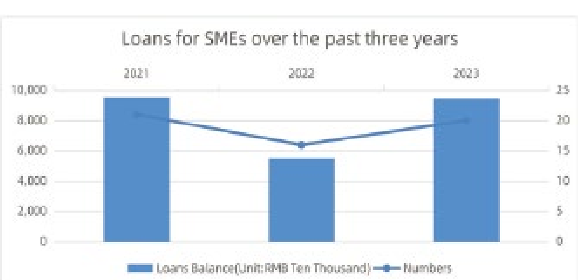
Unit: RMB 100 million

Type of Corporation	Numbers of Customer	Loan Balance
SRDI Giants	6	2.6
SRDI SMEs	39	12.2
Tech-oriented SMEs	50	10.9
SMEs	191	57.4

(2) Supported the Development of SME Finance

In the realm of inclusive finance, the bank is dedicated to fulfilling the capital needs of society to expand production and foster sustainable economic development. We persist in initiating specialized loan projects for micro and small enterprises, implementing policies of fee reducing fee and profit, fulfilling our social responsibilities, and alleviating the financial burden of micro and small enterprises. As of December 31, 2023, the bank has served for 20 micro and small enterprises, with an outstanding loan balance of 94.86 million RMB.

Performance of inclusive loans for micro and small enterprises over the past three years is as follows:



1.1.5 Upgraded the Cash Management System

(1) Built Borderless Cross-Border Cash Management Services

In 2023, we introduced the 'Cash Flow' initiative, encouraging enterprises to prioritize the utilization of E.SUN's platform for streamlined cross-border capital transfers. This initiative has yielded certain results, providing cash flow services to 166 cross-border clients with a cumulative remittance volume exceeding 0.45 billion USD. Building on this success, in 2024, the bank will roll out initiatives such as 'Asia platform E-remit' to offer comprehensive global financial support to cross-border enterprises.

(2) Enhanced the Convenience of Online Corporate Banking Services

To meet the evolving digital needs of our corporate clients, we have continuously refined the online capabilities of our e-finance platform in 2023, aggressively expanding our offerings to corporate online banking, and streamlining both business operations and customer service. Beyond introducing a suite of new functionalities—such as pre-purchase of foreign exchange, batch foreign exchange remittances, verification and settlement of incoming transfers, and electronic facilitation of letters of credit—we have also issued substantial deposit certificates. We have further streamlined processes, including the next-generation bill issuance, online banking-enterprise account agreements, automated synchronization of enterprise information, and enhanced interfaces for detailed inquiries and remittance transfers, thereby significantly bolstering operational efficiency and customer satisfaction.

Corporate online banking user growth is as follows:

Corporate Online Banking	Year of 2023	Growth	Percentage
Number of Corporate Online Banking Users	1,205	13%	88%
Number of USB Key Users	1,028	12%	75%
Number of Renminbi Transactions Online	36,225	41%	70%

(3) Optimized the Convenience of International Settlement Services

In 2023, we introduced foreign exchange settlement and trading capabilities within our Corporate Internet Banking platform, complemented by the ease of electronic certification, which greatly streamlined foreign exchange transactions for our clients and elevated the quality of our services. The bank was also honored with the "Excellent Case of Financial Technology" award from the Shenzhen Banking Association, the "Product Innovation Excellent Case" from City Commercial Banks Clearing, further solidifying our position in the cross-border market. Furthermore, in anticipation of the upward trend in US interest rates, we proactively promoted a suite of

financial products integrated with hedging solutions, offering our foreign exchange clientele a spectrum of more agile and economically viable choices, thereby continuously adding value to our foreign exchange portfolio. The transaction volume for our international settlement services over the past two years has been:

Unit: USD Million

Business Type	2023	2022
Cross-Border Remittance	4,813	5,053
Exchange Settlement	1,489	1,463
International Letter of Credit	153	162
Import/Export Collection	10	40

1.1.6 Implemented Responsible Credit, Exerted Financial Influence

(1) Perfected the Regulations and Laying the Foundation for Green Business Development

Aligning with the government's dual carbon targets of 'Carbon Peaking and Carbon Neutrality Goals', we are proactively expanding our green lending portfolio and fulfilling our corporate social responsibilities. In 2023, the bank established the 'Green Finance Management Framework', delineating the roles and responsibilities of the bank's departments concerning green finance initiatives, and enacted the 'Green Lending Business Management Protocols', which specify the criteria and operational procedures for green lending to enhance the rollout of such services across our branches.

Furthermore, to catalyze the photovoltaic sector and support green, low-carbon initiatives, the bank tailored the 'Photovoltaic Loan Operational Guidelines' to address the unique aspects of photovoltaic financing, thereby aiding our branches in advancing renewable energy projects, predominantly within the photovoltaic sector, and deepening our expertise in this industry.

Our parent company is the member of the Equator Principles Association, we can leverage the resources of our parent company to actively conduct educational programs, training sessions, and experience-sharing forums. This supports our branches in scaling and refining green lending and ESG-oriented business, with a focus on nurturing green industry segments and enhancing the professional acumen of our staff. Our ESG-Linked Loans practices have been consistently recognized as example by the Shenzhen Branch of the People's Bank of China and featured in the 'Shenzhen Green Finance Work Briefing' for Q1 and Q2 of 2023, affirming our ESG efforts by the regulatory authority. We remain committed to contributing to sustainable societal progress.

(2) Continuously Implemented Sustainable Proposals, Assisting Enterprises In Green Transformation

In 2023, the bank formed a dedicated Green Finance Team to persistently cultivate our green finance business and launched the 'Good Double Green' initiative, which provides financing for enterprises to install photovoltaic rooftop systems and for Engineering, Procurement, and Construction (EPC) contractors to develop power stations. The bank engaged with multiple enterprises in the carbon trading domain and conducted in-depth dialogues with the Shenzhen Green Finance Association and the Trading Department of Guangzhou Emissions Exchange. The bank shared insights from our parent company's carbon footprint assessment and internal carbon pricing mechanisms, which are benchmarked against the average carbon prices from the top 25 carbon exchanges as reported by the World Bank and the EU Emissions Trading System (EU ETS). This collaboration aims to explore innovative financial opportunities that integrate Carbon Allowances and China Certified Emission Reductions (CCERs), thereby collectively driving the green transformation agenda across various societal sectors.

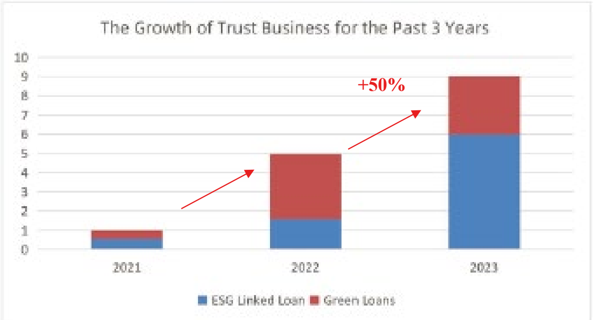
The bank has also discussed trends in international finance, the dynamics of the carbon trading market, and our parent company's ESG transformation journey. We are guiding enterprises in conducting greenhouse gas inventories in accordance with ISO 14064, implementing product carbon footprint assessments as per ISO 14067, and developing green buildings and factories. Furthermore, we offer a suite of ESG-aligned financial products designed to support businesses in their transition to greener, low-carbon operations, working collaboratively to achieve the ambitious target of zero carbon emissions.

(3) Development of Responsible Credit Business

Leveraging our extensive industry expertise, we have methodically expanded our responsible credit services and will continue to guide our clients towards green and low-carbon transformations. The bank aims to identify and cultivate a growing base of potential green credit clients, invigorate the innovation within green finance, and persistently explore novel green service paradigms to bolster the growth of our green credit sector.

Unit: RMB Ten thousand

Responsible Credit Business	2023	2022	increment	Growth
ESG-Linked Loans	66,061	34,154	31,907	93%
Green Loans	24,102	15,784	8,318	53%
— PV	8,398	2,110	6,288	298%
Total	90,163	49,938	40,225	81%
The Percentage of Total Loans	10%	5%	-	-



To support the sustainable development of enterprises, the bank continues to assist enterprises to expand environmental protection and clean energy project investment through green credit business. In terms of clean energy, the bank has established a green finance and photovoltaic industry specialist team to deepen the financing of the green energy industry.

Unit: RMB Ten thousand

Green Loans	Balance of 2023
1.Energy Conservation and Environmental Protection Industry	15,103
1.1Manufacturing of High-Efficiency Energy-Saving Equipment and Green Label Products	693
1.2Manufacturing of Green Transportation Equipment, Facilities, and Products	4,300
1.3Resource Recycling and Circular Use	10,110
2.Clean Energy Industry	8,145
2.1Construction and Operation of Clean Energy Facilities	8,145
3.Projects Abroad that Adopt International Conventions or Standards	854
Total	24,102

1.2 Retail Banking

1.2.1 Overview of Retail Banking

In 2023, the bank set an objective to steadily expand our deposit base by offering a diverse range of financial products and fostering collaborative team efforts to engage high-net-worth corporate owners and executives. By December 31, 2023, our total deposits reached 11.59 billion RMB, marking an increase of 1.40 billion RMB from the previous year. Within this, personal deposits stood at 14.54 billion RMB, up by 4.03 billion RMB from 2022. The ongoing enhancement and introduction of retail products and system functionalities not only elevate the customer service experience but also significantly bolster customer loyalty. At the same time, the bank continues to vigorously develop the sales team, implement target customer management and continuously expand the customer base, deeply explore customer financial needs, and provide suitable financial tools and excellent financial services.

Through refining operational processes and system functions, the bank has improved the operational efficiency and quality of our business outlets, strengthened control over the quality of operations at business outlets, and reduced operational risks. In addition to developing retail business, the bank also focuses on the implementation of consumer rights protection work to safeguard customer rights.

1.2.2 Product Development

In 2023, the bank expanded diversified retail business products, and the development of personal wealth management business was stable. In 2023, the bank officially launched the agency insurance business, providing a variety of insurance products for customers to choose from, which helped increase the bank's intermediary business income. In terms of personal structured deposits, the bank continued to issue products linked to the Euro to US dollar exchange rate and the yield of 10-year national debt at maturity to meet customers' short-term investment needs. At the same time, the bank sold long-term fixed-term deposits 'Benefit Deposits' and large deposit receipts to attract long-term funds. Through the layout of different products, the bank provides customers with a better product experience and lay a solid foundation for the development of the bank's retail business.

1.2.3 Digital Finance

The bank has been proactively advancing our personal digital financial services by launching a mobile platform for account opening, enhancing electronic banking capabilities with features such as online purchasing, inquiry, and transfer for personal time deposits, integrating online insurance services, and establishing platforms for managing domestic and international entitlements within our mobile banking app. The bank has also introduced automated maturity withdrawal for deposit products and implemented tiered transfer limit functionalities. Leveraging technology, the bank has enhanced operational efficiency, including the automated reconciliation of account processing within personal structured deposit systems and control platforms. Aligned with inclusive finance policies, the bank has introduced an app tailored for the elderly, ensuring ease of readability and usability for our senior customers and offering a considerate service experience. Regarding online payment services, the bank is continuously refining our digital channels and functionalities, enabling foreign nationals to link their UnionPay cards with third-party payment platforms for utilization, thereby broadening the avenues available for customer online transactions.

(1) Personal Mobile Account Opening Platform

To establish an eco-friendly operational platform and deliver an exceptional customer experience, the bank developed a Personal Mobile Account Opening Platform in 2023, thereby digitizing the process of opening personal accounts. Our branches are equipped with OCR (Optical Character Recognition), facial recognition, e-forms, and mobile teller systems to facilitate the account opening process for customers. The entire account opening process and data retention are conducted electronically, saving approximately 20 minutes per account opening. This enhances operational efficiency and ensures greater accuracy in our transactions.

(2) Online Banking Hall on Mobile

In 2023, the bank introduced a suite of enhancements to our mobile banking app, including one-click updates, automated maturity withdrawals for deposit products, and tiered transfer limit functionalities, offering customers a comprehensive suite of electronic banking services. With the help of technology, the bank has created an online banking hall. In addition, the bank also supports foreign nationals to bind UnionPay cards to third-party payment channels and use them. Foreign nationals can also enjoy convenient payment services in China. As of December 31, 2023, the bank has opened 4,289 Private Mobile Banking accounts, representing a year-over-year increase of 37.34%. The total number of transactions executed through these accounts reached 18,433, marking a 30% increase from the previous year.

The situation of Private Mobile Banking users in the past three years:

	2023	2022	2021
Numbers of Private Online Banking users	4,289	3,123	2,396
Growth	37.34%	30.34%	—

The situation of private mobile banking transactions in recent three years:

	2023	2022	2021
Private Mobile Banking Transactions	18,433	14,163	5,387
Growth	30.15%	162.91%	—

(3) New Services Added to Mobile Banking for the Elderly

In alignment with inclusive finance policies, aiming to enhance accessible services and cater to the elderly customer demographic, the bank introduced a mobile banking interface with enlarged fonts in 2023.Tailored to the preferences and usage habits of the elderly, the interface features enlarged fonts, streamlined content, and a simplified layout for improved readability, with commonly used functions like account inquiries and fund transfers prominently displayed. Additionally, a dedicated section for elder-focused anti-fraud education was established to disseminate knowledge on preventing telecom scams specifically targeting the senior population.

(4) Automation of Individual Structured Deposit System Account Processing

Leveraging technological advancements to minimize manual operations and capitalizing on the growing transaction volume and value within the bank's individual structured deposits, the bank achieved the automation of account processing for these deposits in 2023, significantly enhancing operational efficiency.

(5) Automatic Reply of the Control Platform

To swiftly address regulatory mandates regarding telecom network fraud and account control related to specific cases, thereby alleviating operational workloads, the bank deployed an automated response feature on its control platform in 2023. This system autonomously retrieves information based on incoming queries and generates results, thereby eliminating the need for manual research and response protocols.

1.3 Financial Market

The bank's financial market business includes bank account investment and financing, proprietary trading, customer trading services and sales, covering the money market, bond market, foreign exchange market and derivatives market.

1.3.1 Overview of Financial Market

The main business of the bank includes interbank fund clearing, interbank lending, interbank deposits, interbank borrowing, interbank negotiable certificates of deposit (NCD), structured deposits, repurchase agreements (reverse repurchase agreements), interbank discounting, bond investments, foreign exchange and derivatives trading.

(1) Money market Business

The bank's money market business mainly includes domestic and foreign currency deposits, interbank lending, the issuance and investment of interbank certificates of deposit, bond repurchase agreements, borrowing and rediscounting between financial institutions.

(2) Investment

The bank's investment business primarily focused on bond investments, follwing the authorized limits approved by our board of directors. The bank strictly regulates the scope of bond trading counterparties, issuance conditions, investment limits, bond types, approval levels, trading positions, and loss limits to ensure that bond trading risks are controllable. To respond to the government's " 2030 Emission Peak/2060 Carbon Neutrality dual carbon goals and implement the bank's green finance business development, the bank refers to the "Development Plan for Financial Standardization during the 14th Five-Year Plan period" and the "Guidance on Promoting High-Quality Development of the Banking and Insurance Sectors".The bank has incorporated green finance concepts into our bond business processes. In 2023, the bank formulated the "Green Bond Business Management Measures" in 2023. As of December 31, 2023, the bank has invested in seven green bonds, totaling 73.50 million USD.

(3) Foreign Exchange Business

The bank's foreign exchange business includes customer and proprietary spot, forward, swap, and option transactions. In 2023, the bank joined the Shanghai Clearing House for centralized net settlement, which not only improved transaction efficiency but also significantly reduced settlement risk. The bank established a Treasury Marketing Unit (TMU) team and enhanced the professional ability of team members. Additionally, the team frequently visits enterprises in order to disseminate the foreign exchange risk neutrality. The bank provides enterprise customers with macroeconomic outlooks, market analysis, product introductions, and foreign exchange risk management information, guiding them to better understand risk neutrality.

(4) Interbank Business

The bank's interbank customers include banks, financial leasing companies, auto finance companies, consumer finance companies, and securities companies. The bank has signed committed interbank lending agreements with two financial institutions to expand liquidity funding channels. The bank will continue to expand business relationships with securities and insurance financial institutions while continuously strengthening relationships with interbank customers. The bank aims to improve the credit management mechanism for interbank customers and strictly manages the admission of interbank trading counterparties to better control credit risk.

1.3.2 Interbank Assets and Liabilities

As of December 31, 2023, the total assets of the bank amounted to 18.21 billion RMB, with interbank assets totaling 6.38 billion RMB, accounting for 35.04% of total assets. Among interbank assets, placements with banks, interbank lending, and investments in financial bonds (including negotiable certificates of deposit) accounted for 5.88%, 15.14%, and 78.98%, respectively. The total liabilities of the bank were 15.95 billion RMB, with interbank liabilities totaling 3.98 billion RMB, accounting for 24.94% of total liabilities. Interbank liabilities included borrowed funds and deposits from the parent company, primarily consisting of interbank borrowings, deposits from other banks, repurchase agreements, and issued negotiable certificates of deposit, accounting for 61.97%, 1.33%, 35.19%, and 1.51% of interbank liabilities, respectively.

1.3.3 Interbank and Expenditure

As of December 31, 2023, the bank's interest income from interbank business was 0.23 billion RMB, accounting for 38.72% of total interest income. Interest expenses on interbank business were 0.15 billion RMB, accounting for 36.59% of total interest expenses.

1.4 Technological Support for Business Development

The bank is committed to advancing its information technology (IT) initiatives in line with the established IT strategy, with a relentless pursuit of the overarching IT objectives. Under the principle of optimizing the utilization of scarce resources, the bank has concentrated its technological efforts on enhancing core systems, while the development of other business systems has been prioritized based on agility and functionality. Additionally, in 2023, the bank expedited its digital transformation journey. This was achieved by leveraging digital tools, automating processes, and integrating artificial intelligence (AI) applications to not only reduce costs and improve efficiency but also to foster innovative solutions. To harness the potential of data analytics, the bank has been dedicated to refining the development and utilization of data warehouses, thereby bolstering its competitive edge through enhanced digital capabilities.

Regarding infrastructure development, in 2023, the bank upgraded the equipment within its disaster recovery facility in Guangzhou and ensured business continuity through rigorous disaster recovery drills. In the realm of application system development, the bank has spearheaded initiatives driven by business needs, fine-tuning system performance, and fulfilling over 2,000 IT requirements throughout the year to accommodate the demands of business growth. In the domain of information security, the bank conducted penetration testing, vulnerability assessments, and source code analyses in 2023. Through the risk assessment of critical systems, it has effectively managed information security risks. Moreover, in response to evolving business requirements and regulatory compliance, the bank has been proactive in updating and amending its IT policies, thereby refining its operational management framework and fortifying the construction of various management systems to enhance the sophistication and efficacy of its operational governance.

Aligned with the central theme of "Technology Empowerment - Strengthening Compliance Control and Assisting Business Development" of 2023, the bank has developed multiple business systems and facilitated business growth through digitalization, employing technical means to gradually advance digital transformation initiatives and bolster risk management controls.

IT projects	Details
Electronic Process of Account Opening	The bank is dedicated to fully digitizing and automating the process of account creation. By leveraging an iPad application and a robust back-end management system, the bank provides customers with a convenient and efficient card activation service. The system utilizes advanced information technology, including real-time verification against the public security bureau's online database and biometric recognition (such as facial scanning), to ensure accurate "person-to-identity" validation. Additionally, the bank has successfully constructed a micro service architecture that is seamlessly integrated with our internal Anti-Money Laundering (AML) system, core business processing platform, document management storage system, and teller interaction interface. This initiative has significantly optimized the traditional account opening process, markedly reducing the need for manual data entry, accelerating the card issuance process, and lowering operational risks. It enables the bank to offer more competitive and distinctive services more effectively, enhances brand loyalty, and drives the development of business.
AI-OCR	By employing OCR (Optical Character Recognition) technology, the bank can identify the front and back of the second-generation ID cards, bank cards, passports, residence permits for residents of Hong Kong, Macau, and Taiwan, and Mainland Travel Permits for Taiwan Residents and etc. Coupled with AI training to establish recognition models, this integration with the electronic account opening process significantly reduces teller operational time, enhances customer convenience, and elevates the bank's level of paperless and automated operations, contributing to the bank's sustainable ESG development.
Second Phase of the Data Warehouse	The bank has completed the data integration of eight core systems into the data warehouse. Among them, the personal online banking and mobile banking services have been launched to support transaction inquiries dating back more than 180 days, better serving customers and improving their satisfaction.
Functional Enhancement of Online Banking	To enhance business efficiency through digital channels, the bank has significantly upgraded the functionality of electronic banking services in 2023. Corporate Online Banking has added features such as foreign exchange remittance settlement and notification, letter of credit issuance/amendment, and digitalization of receipts, while the Private Mobile Banking app has introduced features like one-click app updates, automatic redemption of matured deposit products, and tiered and categorized transfer limits, all aimed at improving transaction efficiency and reducing the frequency of customer visits to the branches.
Strengthen Crisis Management Capabilities	The bank continues to refine business continuity construction and strengthen our crisis management capabilities. The bank has completed the replacement of equipment at Guangzhou disaster recovery center and enhanced the synchronization of critical systems. In 2023, the bank conducted backup drills for four sets of systems, enhancing emergency response capabilities to sudden incidents and ensuring the continuity of continuous operations.
RPA Robots	We have introduced RPA (Robotic Process Automation) robots to assist with repetitive and time-consuming tasks, allowing staff to focus on more productive work. The RPA implemented in 2023 includes automated report downloads and market pricing information queries, saving a total of 5,040 minutes of manpower per month, effectively reducing labor costs and increasing the level of operational automation of the bank.
Collaborative Office Platform-OA	In 2022, the bank introduced a collaborative office platform, the OA system, integrating it with the ITSM system to enhance the full process of information technology management and maintenance. The bank also implemented strict data management with cloud storage functionality to retain data storage records. In 2023, The bank migrated HR attendance and document transfer to the OA system, reducing operational costs and enabling mobile office capabilities, including a new mobile check-in feature, enhancing the system's automation and paperless operations.

2. Operating Plan

2.1 Corporate Banking

In 2024, the bank will adhere to the principle of risk first, strengthen the cooperation and integration of the three lines of defense, regularly conduct a comprehensive review of credit risk, and ensure the quality of the bank's assets. In addition, the bank will continue to optimize the structure of loan customers and products, actively grasp the development trend of positive industries and ESG &Green finance, improve the bank's NIM, and expand the source of intermediate business income.

2.1.1 Seize Cross-Border Business Opportunities, Build Cross-Border Financial Platform

Amidst the globalization of corporate activities, the bank will capitalize on cross-border business opportunities, leveraging the strengths of E.SUN's cross-border platform. The bank will partner with parent company and its international subsidiaries to robustly develop and refine the suite of financial services, including cross-border capital transfers, trade financing, and TMU business. These services are tailored to address the capital and financial needs of multinational enterprises for activities such as overseas investment, regional expansion in Asia, and international orders.

2.1.2 Optimize Corporate Online Banking Functions, Promote Digitalization Process

In 2024, the bank will persist in enhancing the functionalities and operational processes of Corporate Online Banking platform. The bank will refine high-volume processes such as transaction detail inquiries, electronic receipt, batch transfers, and authorizations. Additionally, the bank will introduce relevant operational buttons on the transaction completion interface, all while focusing on user experience design to enhance the aesthetic and usability of the interface. In addition, it is planned to access the parent company's GIB online banking system in the form of Single Sign-On, enhance the convenience of customers' cross-border capital adjustment, expand the potential quality corporate customer group, and aim to provide safer, more stable and superior automated convenience services, assist the development of the real economy, and achieve the goal of mutual benefit, win-win and common development between the bank and enterprises.

2.1.3 Continue to Focus on Green Loans, Stimulate Green Finance Innovation Capabilities

In 2024, the bank will proactively expand loan services for PV line with our 'Photovoltaic Loan Operational Guidelines'. The bank will also implement a carbon footprint assessment system, categorized by green industry standards. The bank will also evaluate the development of carbon quota, green power certificate financing business, reduce the acceptance of high carbon emission customer group loan cases, strengthen the acceptance of renewable energy cases mainly in photovoltaic industry, and introduce project financing of Equator Principles. On the international financial business side, the bank will actively develop new energy PE customer group, accumulate wind power, photovoltaic, hydropower industry customer sources. The bank will continue to guide customers to carry out green low-carbon transformation, dig and accumulate more potential green loan customer sources, stimulate green finance innovation capabilities, continue to explore new models of green services, and support the development of green loan business.

2.1.4 Continue to Provide High-Quality International Settlement Services

Looking forward to 2024, the bank will continue to innovate diversified products, expand the breadth of cross-border services, continue to move towards financial digitization transformation, introduce AI intelligent recognition technology, optimize customer experience, improve work efficiency, and gradually move towards the leading group of foreign capital banks for foreign exchange services.

2.2 Retail Banking

The retail business will focus on product diversification, platform convenience layout, strengthen corporate-private linkage, team cooperation. While developing digital finance, the bank will optimize the operation process of each business point, deeply cultivate the target customer group, create deposit effect, and improve the brand recognition.

2.2.1 Persist in Product Diversification and Simplify Wealth Management

With the ever-changing market, E.SUN will combine market trends and actively expand product business categories. By 2024, E.SUN will strive to improve insurance agency, structured deposits, preferential fixed deposits, large amount deposit slips, etc., and launch products that better meet customer asset allocation needs, thereby enhancing the growth momentum. In addition, to reduce the work pressure of employees, we will promote paperless office. E.SUN plans to add customer risk rating function to the mobile account opening platform. The system will automatically calculate the customer risk rating based on the entered information, which can not only improve efficiency but also avoid errors in manual calculation. This will provide customers with a better financial experience, improve management efficiency, and promote business development.

2.2.2 Improve Customer Management Functions and Enhance Customer Service Capabilities

As retail customer base continues to grow, the bank will further refine next-generation electronic banking system. With a focus on online customer segment management, the bank will enable online account configuration and transaction inquiry services, empowering customers with self-service capabilities. With the plan of grading mobile banking customer, the bank will realize personalized promotion operation, complete the upgrade of the bank card customer operation platform, and provide better digital services and experiences for different customer groups.

2.2.3 Enterprise Pre-account Opening Platform

Capitalizing on the digital evolution, the bank intends to roll out an enterprise pre-account opening platform by 2024.Utilizing the electronic platform for gathering corporate account opening details, including self-service video recording for account opening confirmation, and employing technologies such as OCR, facial recognition, and electronic forms, the bank will perform thorough due diligence. This will offer customers a more convenient channel for account applications and set the stage for the digital transformation of branches.

2.2.4 Personal Self-service Foreign Exchange Settlement Service

In 2024, the bank will introduce a personal online self-service platform for foreign exchange settlement via mobile banking. Customers will be able to conduct foreign exchange settlements through mobile banking platform, enabling swift currency exchanges and optimizing the utilization of customer capital. This initiative will also streamline manual operations for our staffs, enhancing operational efficiency and precision.

2.3 Financial Market

2.3.1 ExpandingContinue to Enrich Product Categories and Enhance Customer Service Capabilities

In 2024, the bank will continue to launch diversified expanding foreign exchange products and derivative business, enriching the bank's financial product categories, providing diversified risk management solutions avoidance tools for customers, and upgrading and improvingenhancing the foreign exchange transaction function of corporate e-bankingdigital banking platform, enhancingthereby improving the foreign exchange financial service experience of corporate customers.

2.3.2 Flexible Asset Allocation, and PrudentStable Investment

In 2024, the bank's bond investment portfolio strategy will continue to focus on government bonds, policy financial bonds and financial bonds of Chinese state-owned banks (the "Big Five"), in order to achieve stableconsistent interest income as the primary goalprinciple of our asset allocation. Currently, the issuers of the bank's main credit bond targets are high-rated, low-risk financial institutionsbonds. In the future, the bank will balance the investment structure, carefully manageprudently control the duration of thelong-term investment portfolio, and strengthen the ability to defense the market volatilityresist market risks. AdditionallyAt the same time, the bank will integrate incorporate green finance principles concepts into bond investment strategybusiness, and will prioritizinge the evaluation of investments in green bonds after evaluating the on the basis of considering interest rate risk, credit risk, liquidity risk and etc.

2.4 Information Technology Development

In 2024, the bank's information technology will take 'technology empowerment, business accelerator' as the main axis, through the power of technology, solidify risk management foundation, and let information technology become the accelerator supporting the business development.

2.4.1 Support Business Development

In line with the bank's 2024 business strategy, under the premise of ensuring information security and regulatory compliance, the bank will gradually complete the information technology needs of various departments. In addition, it will strengthen digital applications, plan to apply AI & OCR to Online banking, CPS and other business application development, and introduce RPA to reduce manual processes and improve work efficiency. In terms of assisting business expansion, the bank will invest resources to build a legal relationship map and mobile account opening, develop a combined derivative product Online banking remote exchange function and etc. to support business development.

2.4.2 Unleashing Data Value

In response to the rapid development of financial technology, data has become an important asset of the bank. In order to realize the value of data, the bank started the data warehouse construction project in 2022. In 2023, the bank's data warehouse has completed the connection with multiple business systems and realized data collection. In 2024, the bank will further realize data application through data analysis, carry out customer relationship management scene function development and legal report automation upgrade, thereby unleashing the value of data and assisting business decision-making.

2.4.3 Strengthen System Operation Resilience

To ensure the bank's data management complies with regulatory requirements, the bank plans to build a data governance platform in 2024, effectively managing and protecting the data security and improving risk monitoring and supervision mechanisms. Additionally, to strengthen information security and prevent external infiltration attacks, the bank plans to introduce horizontal network traffic monitoring, monitor internal horizontal traffic conditions, and coordinate with existing vertical external defense mechanisms to fully grasp network traffic conditions and strengthen information security capabilities. Furthermore, in 2024, the bank will continue to comply with the annual new regulatory requirements of the supervisory authorities, upgrade the relevant systems for regulatory reporting, and improve the quality of data reporting.。

V.Risk Management and Internal Control

1. Risk Management

1.1 Overview of Risk Control

1.1.1 Organization Structure and Responsibility Division of Risk Management

In 2023, there were no structural changes to the bank's risk management framework. The bank continuously refines various risk management systems and processes, integrating external business, environmental, and social governance requirements into comprehensive risk management framework.

The bank has established a robust risk management organizational structure. The Board of Directors holds ultimate responsibility, the Supervisor is tasked with oversight, the executive management is responsible for establishing risk management protocols, the Risk Management Department leads the effort, business departments bear direct responsibility, and the Internal Audit Department conducts audits. Furthermore, the Board of Directors has established the Risk Management Committee, which is charged with overseeing the executive management's control over various risks, periodically assessing the bank's risk policies, effectiveness and risk-bearing capacity.

1.1.2 Risk Management Policy

The bank promptly adjusts or introduces risk management regulations in response to shifts in external regulatory landscapes and internal business operations. In 2023, the bank updated several key policies and procedures, including the 'Risk Appetite and Risk Management Policy' 'Risk Appetite and Risk Limit Operational Procedures' 'Credit Management and Credit Risk Management Framework' 'Credit Authorization Management System' 'Credit Review Committee Guidelines' 'Expected Credit Loss (ECL) Policy Implementation and Management System' 'Enterprise Credit Information Basic Database Management and Operational Procedures' 'Market Risk Management Framework' 'Financial Transaction Business Authorization Standards' 'Liquidity Risk Management Framework' and 'Reputation Risk Management Operational Procedures'. Additionally, the bank introduced new guidelines such as the 'Green Loan Business Management Method' 'Credit Authorization Operational Details' and 'Credit Risk Management Method'. To ensure all units are apprised of the relevant updates, the bank utilizes its document management system, announcements, and educational training sessions to facilitate the implementation of various risk management initiatives across the organization.

1.1.3 Overall Situation of Risk Control

In 2023, considerable strides were made in managing the pandemic across various countries and regions. However, the geopolitical tensions stemming from the Russo-Ukrainian war and the Israeli-Palestinian conflict continue to pose significant risks to the global economic outlook. Notably, inflationary pressures have risen in several countries, prompting some central banks to adopt a more stringent monetary policy. These actions have had ripple effects on the global financial markets and consumer sentiment.

Against this challenging backdrop, the bank has maintained robust risk controls. Regrettably, the economic rebound in Mainland China fell short of expectations following the relaxation of pandemic restrictions in 2023. The pronounced risks in the real estate sector have had a substantial impact on economic activities, resulting in delayed loan repayments from certain credit customers. Credit risk management will continue to be a focal point for the bank in 2024. In addition to bolstering the assessment of borrowers' operational situations and debt servicing abilities, the bank will maintain a vigilant eye on industry-specific risk fluctuations.

Furthermore, in light of new regulatory guidelines, the bank will persist in refining its systems and procedures in 2024 to align with the updated norms for capital management, country risk, and operational risk governance. In the domain of operational risk management, the bank will focus on enhancing core business processes and completing a Risk Control Self-Assessment (RCSA). For stress testing, the bank will incorporate historical scenarios of significant financial losses to refine market risk management framework.

1.2 Credit Risk

Although the GDP growth rate in Mainland China was stable at 5.2% in 2023, the overall credit risk has increased due to several factors. These include a decline in consumer demand resulting from ongoing efforts by many overseas countries and regions to tighten monetary policy in order to suppress inflation, and a downturn in the domestic real estate industry that has led to defaults on foreign debt. The bank maintains a risk management principle that prioritizes risk control over business objectives and has consistently applied rigorous mid-term and post-loan management practices throughout 2023. Furthermore, in response to changes in the market economic environment, the bank has conducted a thorough review of the credit risks associated with our borrowers.

In 2023, the bank experienced a single credit risk event, which was approved for write-off by the Board of Directors in November 2023, with the write-off process finalized in December. As of December 31, 2023, the bank has classified one domestic credit exposure and one foreign guarantee transaction as high-alert categories, while all other accounts are categorized as Pass. The asset quality over the past two years is as follows:

Unit: RMB Ten thousand

Year	Balance of Loans	NPL	Writing Off Non-performing Loans	Loan Provisioning	Loan Provision Rate	Provision Coverage Ratio
2023	825,440	0	1,750	12,663	1.53%	-
2022	841,346	0	0	13,886	1.65%	-

In terms of industry policy, due to the continued downturn in the real estate industry in mainland China, some large real estate companies have defaulted on foreign dollar debts, so the bank will maintain a high risk in the real estate development industry in 2023 and avoid it in principle. At the same time, due to the withdrawal of some foreign capital, enterprise closures and consumer downgrades, the rental rate of some commercial properties (including shopping malls and office buildings) has declined, so the bank will strictly control the location and target of commercial properties and be cautious in undertaking; while the electronics manufacturing industry is affected by inventory, the recovery in 2023 is slow, although the bank has not restricted its undertaking, it will pay high attention to the operating status of such enterprises to ensure that credit risks are controllable.

In terms of credit asset management, in February 2023, the regulator issued the 'Measures for the Classification of Financial Asset Risks of Commercial Banks'. To implement the new regulatory requirements, the bank revised the 'Measures for the Classification of Financial Asset Risks', adjusted the risk classification standards for loans and non-loan assets, classification processes and management principles, making the risk classification standards for assets at all levels clearer, to more comprehensively and accurately identify the quality of the bank's financial assets.

In terms of expected credit loss management, the bank optimized risk groups, stage divisions, default rate PD models, forward-looking models, and parameter methodologies in 2023. In addition, due to the increase in overall economic risks in the second half of 2023, after comprehensive analysis of the bank's future credit risk situation, the board of directors approved the application of the management layer overlay model and authorized the president to timely pass the management layer overlay to adjust the expected credit loss calculation results upward, to provide a reference for relevant departments to make credit risk loss provisions, and quickly enhance the bank's risk buffering capacity.

In terms of system refinement, in order to enhance the bank's ability to review credit customer pre-loan risk and post-loan risk analysis, monitor and grasp the risk situation of credit customers in a timely manner, the second-generation CPS system was launched in 2023, and business outlets can query enterprise customers' involvement, environmental protection, property mortgage and other external risk information.

The bank’s Method of implementing credit risk capital provision: Weighted method

Table of credit risk weighted assets

On-Balance Sheet Credit Risk Weighted Assets Table (Weighted Approach)		
		Unit: RMB Ten Thousand
Item/Weight	Balance	Risk Weighted Assets
1.Cash and Cash Equivalents	124,993	-
2.Claims on Central Government and Central Bank	11,334	-
3.Claims on Public Sector Entities	-	-
4.Claims on Domestic Financial Institutions	131,384	89,052
5.Claims on Financial Institutions Incorporated in Other Countries/Regions	32,264	15,205
6.Exposures to General Enterprises (100%)	825,440	749,284
7.Exposures to Small and Micro Enterprises (SMEs) that Meet the Criteria (75%)	-	-
8.Claims on Individuals	-	-
9.Residual Values for Leasing Assets (100%)	-	-
10.Equity Investments	-	-
11.Others	96,757	477,951
12.Risk Exposures Arising from the Clearing Process of Securities, Commodities, and Foreign Exchange Transactions	-	-
13.On-Balance Sheet Items of Asset Securitization	-	-
14.Subtotal	1,222,172	1,331,492
15.Excess Loan Loss Provisions Included in Tier 2 Capital	-	12,782
16.Deduction from Capital for Loan Loss Provision Shortfall	-	-
17.On-Balance Sheet Credit Risk Weighted Assets	-	1,344,274

Off-Balance Sheet Credit Risk Weighted Assets Table (Weighted Approach)		
		Unit: RMB Ten Thousand
Item	Assets Before Conversion	Risk Weighted Assets
1.Credit Facilities Equivalent to Loans	41,282	16,838
2.Transaction-Related Contingent Items	3,877	878
3.Trade-Related Short-Term Contingent Items	20,883	3,637
4.Commitments	1,543,281	32,551
5.Asset Sales and Purchase Agreements with Credit Risk Retained by the Bank	-	-
6.Forward Asset Purchases	-	-
7.Forward Time Deposits	-	-
8.Partially Paid Shares and Securities	-	-
9.Securities Lending and Securities Used as Collateral by the Bank	-	-
10.Other Off-Balance Sheet Items	-	-
11.Off-Balance Sheet Items of Asset Securitization	-	-
12.Total Off-Balance Sheet Credit Risk Weighted Assets	1,609,323	53,904

Counterparty credit risk exposure weighted assets table(Weighted Approach)		
		Unit: RMB Ten Thousand
Item	Risk Exposure	Risk Weighted Assets
1.Counterparty Credit Risk for Derivative Financial Instruments under the Weighted Approach	26,693	9,675
2.Counterparty Credit Risk in Securities Financing Transactions (Weighted Approach)	-	-
3.Credit Risk Arising from Transactions with a Central Counterparty	-	-
4.Total Counterparty Credit Risk for Unsettled Securities, Commodities, and Foreign Exchange Transactions	26,693	9,675

Loan five-level classification summary table	
	Unit: RMB Ten Thousand
Item	Total
1.Various Loans	825,440
1.1 Normal Loans	825,440
1.1.1 Pass	824,802
1.1.2 Special Mention	638
1.2 Non-performing Loans	-
1.2.1 Substandard	-
1.2.2 Doubtful	-
1.2.3 Loss	-
2.Overdue Loans	638
2.1 Loans Overdue by More Than 60 Days	-
2.2 Loans Overdue by More Than 90 Days	-

Loan quality migration table									
									Unit: RMB Ten Thousand
Item	Loan quality migration								Disposition of Non-Performing Loans Situation in 2023
	Balance of Last Year	Decreasement	Pass	Special Mention	Substandard	Doubtful	Loss	Total	Loss
1.Balance of the end of 2023	-	-	824,801.98	638.01	-	-	-	825,439.99	1,750.00
2.Increasement	-	487,362.05	561,853.68	638.01	-	-	-	562,491.69	0.00
3.Pass	842,368.68	579,420.38	262,948.30	-	-	-	-		0.00
4.Special Mention	1,750.00	1,750.00	-	-	-	-	-		1,750.00
5.Substandard	-	-	-	-	-	-	-		0.00
6.Doubtful	-	-	-	-	-	-	-		0.00
7.Loss	-	-	-	-	-	-	-		0.00
8.Total	844,118.68	581,170.38							

1.3 Liquidity Risk

In 2023, the bank's liquidity risk management and asset quality management remained robust, with all metrics in compliance with regulatory standards. As of December 31, 2023, the liquidity ratio stood at 66.47%, the 0-90 day liquidity gap rate was a positive 2.65%, the Liquidity Coverage Ratio (LCR) was 172.89%, and the High-Quality Liquid Assets (HQLA) Adequacy Ratio was 124.37%.

Regarding regulatory enhancements, the 'Liquidity Risk Management Framework' was updated in 2023 to stipulate that the board of directors must review the liquidity risk management content on an annual basis. Additionally, in accordance with the 'Commercial Bank Liquidity Risk Management Regulations', adjustments were made to the emergency plan-related content. The bank's emergency plan was standardized, taking into account the business scale, nature, complexity, risk level, organizational structure, and market impact, with stress testing outcomes fully considered, to establish an effective emergency plan for liquidity risks. It is mandatory for the bank to test and evaluate the emergency plan at least annually, with revisions made as necessary.

In asset and liability quality management, the bank's capital operations and funding sources continue to diversify, enhancing our resilience to market volatility. Concentration limit management is applied to the type, currency, term, and counterparty of both on- and off-balance sheet assets and liabilities to mitigate liquidity risks stemming from asset-liability mismatches and over-concentration. The bank's primary funding sources include deposit absorption (comprising structured deposits, demand deposits, and large-denomination certificates of deposit), interbank borrowing, repurchase agreements, pledge/repledge transactions, derivative products, and interbank deposit receipts. Through product diversification, we aim to bolster the stability and diversity of our liability base. As of December 31, 2023, the bank's total liabilities were 15.95 billion RMB, with general deposit absorption totaling 11.59 billion RMB, representing 72.67% of total liabilities. Interbank funding amounted to 3.98 billion RMB, accounting for 24.94% of total liabilities, of which medium and long-term stable funds from the parent company were 1.76 billion RMB, or 11.02% of total liabilities. This has led to a steady increase in the bank's liability scale and enhanced liquidity.

The bank is committed to refining its liquidity risk management mechanisms. Beyond the automatic generation of liquidity gap reports, timely estimation of gap functions, and monitoring of gap trend changes, we are also able to track daily deposit fluctuations, promptly detect abnormal deposit outflows, and provide early warnings for liquidity events.

In 2023, the bank conducted a liquidity contingency exercise under the scenario of 'financial transaction system disruption leading to funding difficulties'. Through the collaborative efforts of all relevant departments, the bank executed its risk management procedures as per internal regulations, taking into account a variety of potential contingencies. The objective of this exercise was to bolster the bank's risk awareness and capacity to manage sudden incidents, ensuring the earliest possible detection and response to liquidity risk events. This proactive approach aims to stabilize the bank's capital liquidity in the most effective manner, safeguarding the continuous operation of our services.

1.4 Market Risk

The bank employs the historical simulation method to calculate the VaR (Value at Risk) for its financial assets and derivative products. This approach is utilized to effectively gauge and balance the extent of market risk the bank may encounter under extreme market conditions. Using the historical data from the preceding year, the bank computes the risk value at a 99% confidence level and has established a risk value limit corresponding to 3% of its net capital. For the year 2023, no breaches of this limit were recorded. As of December 31, 2023, the one-week VaR for the bank's financial assets and derivative products was 9.14 million RMB, which remained within the prescribed limit.

In an effort to enhance market risk management, the bank revised its 'Regulations on the Management of Financial Transaction Business Authority' in 2023. The revisions were made to align with the bank's risk appetite and business requirements, which included an increase in the tolerance levels for interest rate risk and U.S. bond risk, while decreasing the exposure limit to a single financial institution.

Additionally, the bank completed its planned market risk management initiatives for 2023, which improved operational efficiency and fortified market risk management capabilities. These included:

（1）The successful resolution of LIBOR transition-related matters by June 30, 2023.The bank developed a replacement interest rate strategy, with the Risk Management Department taking the lead in adjusting customer contract terms and coordinating changes in customer conditions. All business segments either cleared or completed the transition to alternative reference rates before June 2023.

（2）Market risk management workflows were partially automated with the support of the bank's Information Technology Department. This included automating the valuation of structured deposits and the importation of foreign bond prices, which saved significant time, enhanced operational efficiency, and mitigated operational risks.

（3）The activation of the single transaction amount limit feature within the Taiwan Financial Transaction System to minimize operational risks associated with transaction errors.

（4）The implementation of centralized net settlement operations at the Shanghai Clearing House, which effectively curtailed counterparty credit risk.

As of December 31, 2023, the bank's foreign currency financial products encompassed Spot, Forward, Swap, and Options transactions, with a total notional principal amount of 28.88 million USD. Within this, the DV01 (dollar value of a basis point) for the swap category was 34.3 thousand USD, all of which were within the acceptable limit range.

The bank's fixed income products include RMB bonds of 5.32 billion RMB, interbank deposits of 0.15 billion RMB, and USD bonds of 0.91 billion. Among them, RMB bonds are issued by national banks, policy banks or state-owned banks, and the issuers of interbank deposits are peers included in the bank's credit whitelist. USD bonds are issued by state-owned banks or their subsidiaries abroad and US national bonds, which are listed as financial assets (AC) measured at amortized cost, equivalent to 0.41 billion RMB, financial assets (FVTOCI) measured at fair value and their changes included in other comprehensive income, equivalent to 5.93 billion RMB, and financial assets (FVTPL)

measured at fair value and their changes included in current profit and loss, equivalent to 0.04 billion RMB.
The bank uses the standard method to implement the market risk capital provision.

Market Risk Capital Situation Table	
	Unit: RMB Ten Thousand
Item	Standard Method
1.General Market Risks	24,233
1.1 Interest Rate Risk	23,267
1.2 Equity Risk	-
1.3 Foreign Exchange (FX) Risk	966
1.4 Commodity Risk	-
1.5 Options Risk	-
2.Specific Risks	680
3.Incremental Risks	-
4.Specific Risks of Securitized Assets in the Trading Book	-
5.Total Market Risk Capital Requirement	24,913
6.Total Market Risk-Weighted Assets	311,417

1.5 Operational Risk

The bank mainly manages operational risk through key risk indicators, operational risk loss event reporting and operational risk control self-assessment tools, supplemented by regular specialized training for all staff, optimization of business processes, improvement and optimization of system functions, to reduce the occurrence rate of operational risk. In 2023, there were no operational risk events reported with a loss of 10,000 RMB or more, and there were no supervisory reports, penalty cases or continuous triggering of risk indicators.

In terms of regulation, in 2023, the 'Risk Preference and Risk Limit Operation Procedure' was revised to refine the key risk indicators of risk preference and set risk monitoring indicators for the normal use and availability rate of each important system.

In terms of staff training, the bank's Compliance Department conducts legal compliance education and training for all staff every month, with training content including operational risk and case control risk supervision regulations, main reasons for supervisory penalties and etc., the bank's Risk Management Department conducts regular operational risk specialized training for all staff, with content including the definition of operational risk, preventive measures and etc. to assist the first line of defense in identifying risks from the perspective of the second line of defense. In addition, the Risk Management Department convenes a risk meeting every quarter for three-lines related departments , with the participation of the first line of defense's various business outlets and various business departments, the second line of defense's Compliance Department and Risk Management Department, and the third line of Internal Audit Department, with the first line of defense explaining the situation of the bank's business process quality inspection, and the three lines of defense jointly conducting root cause analysis and proposing improvement plans. Through strengthening the cooperation of the three lines of defense, the bank's front, middle and back offices can jointly defend against various risks.

In terms of systems, in 2023, the bank has completed the conversion of KRI, RCSA, LDC from NOTES system to OA system, and can produce relevant operational risk analysis reports, improve the efficiency of process approval and enhance the operational efficiency of various data.

1.6 Reputation Risk

In 2023, the bank's reputation risk management situation was good, and no reputation risk events occurred.

In order to improve the bank's reputation risk emergency handling procedures and enhance emergency handling capabilities, the bank conducted a reputation risk and crisis simulation in December 2023. The scenario was a negative news outbreak on an online news platform about a system loophole with our cooperative vendor, leading to customer personal information leakage. The news also revealed that the bank's statement with the vendor included "E.SUN (China)". Through this simulation, relevant departments could fully understand the importance of strengthening management of third-party organizations, and understand the corresponding emergency handling procedures.

From a regulatory perspective, considering current risk tolerance and willingness, the bank will set the non-occurrence of major reputation risk events and major customer complaints as reputation risk preference quantification indicators, and propose to the board of directors for approval, in order to improve the bank's reputation risk management mechanism.

In 2023, the bank received a total of 3 customer complaints (2 of which were from the same customer on the same issue). After timely and proper handling, they did not adversely affect customer rights or the bank's normal operations, and the bank's brand value was not damaged. The bank will continue to fulfill its social responsibilities, establish good communication channels with customers, peers, and regulators, establish a positive brand image, and do a good job in reputation risk management.

1.7 Country Risk

The bank strictly complies with the country risk management supervision regulations, incorporates country risk into the comprehensive risk management system, and establishes a country risk management mechanism that is compatible with the bank's strategic objectives, country risk exposure scale, and complexity. The board of directors of the bank bears the ultimate responsibility for ensuring the effectiveness of country risk management. The senior management is responsible for implementing the country risk management strategy, policy, and procedures approved by the board of directors. The risk management department is responsible for country risk management. The internal audit department is responsible for auditing country risk management. The bank strictly follows the regulatory requirements, carries out country risk management work, regularly evaluates country risk ratings and limits, actively conducts country risk stress testing, and effectively exercises risk management functions.

The bank determines the country risk rating and limit based on the sovereign rating of each country or region, regularly monitors the country risk limit situation and sets up corresponding country risk reserves. The bank also regularly tracks changes in the country or regional country risk rating, monitors and reports on the execution of country risk exposure, limits, and the provision of country risk reserves. In 2023, the bank's country risk management situation was good, the stress test results were in compliance with the regulations, and the country risk exposure was within controllable range.

As of December 31, 2023, the bank's country risk assets include overseas peers, foreign loans, foreign derivative product transactions and foreign debts. After risk transfer, the exposure situation of each country or region is as follows:

Unit: RMB Million

Country / Region	Exposure (After Risk Transfer)	Limit (Exchange Dollar for Yuan)	Proportion of the Limit	Credit Rating	Risk Level
Hong Kong	259.46	3,187.22	8.14%	AA+/Aa3/AA-	Low
The USA	170.60	10,151.87	1.68%	AA+/Aaa/AAA	Low
Taiwan	161.69	3,541.35	4.57%	AA+/Aa3/AA	Low
The UK	137.07	2,833.08	4.84%	AA/Aa3/AA-	Low
Thailand	8.52	731.88	1.16%	A-/Baa1/BBB+	Medium-Low
Luxembourg	0.33	21,248.10	0.0015%	AAA/Aaa/AAA	Low
Australia	0.05	21,248.10	0.0003%	AAA/Aaa/AAA	Low
New Zealand	0.01	15,699.99	0.0001%	AAA/Aaa/AA+	Low

Note:
(1)The "direct exposure" of the bank in various countries/regions refers to the transfer of risks to the ultimately exposed country/region through actual risk subjects, actual locations of fund use, third-party guarantees and etc.
(2)The credit rating is ranked as S&P/Moody's/Fitch. The national risk limit is the average value of the risk limits corresponding to different credit ratings.

1.8 Information Technology Risk

The bank completed the revision of 20 information technology regulations in 2023, added 2 new ones, and abolished 1, further clarifying the content requirements of the annual work report of the information technology department, the responsibilities of the digital transformation promotion group, the definition and classification of information systems, the emergency recovery procedures for major information system network failures, and the compliance testing and audit requirements before the establishment of outsourcing projects.

1.8.1 Configuration and Maintenance of Information Hardware and Software System

The bank's deposit, credit, foreign exchange, finance, accounting and other major businesses, as well as customer management, risk management, business intelligence analysis and other information systems are configured on Linux, Windows and other operating platforms according to business operation characteristics and system architecture, and container platform technology is used to improve resource utilization efficiency and agility. The bank's machine room is built in XiLi Data Center, which has strong networks from three major network operators and can achieve 200G direct access to China Telecom's backbone network. The power supply system uses international first-class brands such as Siemens, Cummins, Schneider, and C&D. The cooling system comes from international manufacturers such as McQuay, Evapco, Grundfos, and Stulz. The data center has passed ISO20000, ISO27001, ISO9001, ISO22301, ISO14001 certification, and the data center process is designed according to the ITIL standard management system. More than 85% of the customers of XiLi Data Center are financial institutions, others are operators or customized data centers for BAT companies. The staff possess extensive experience in financial services and are well-versed in banking operations.

1.8.2 Information Security Management

(1)Information Security Management Organizational Structure

The bank has established an 'Information Security Leadership Team', which is accountable for overseeing the promotion and governance of information security, information security risk monitoring and management, among other responsibilities. The team is convened by the Chief Executive Officer (CEO) of the bank, and its membership comprises heads of departments such as the Information Technology Department, Corporate Banking Department, Retail Banking Department, Treasury Department, Accounting Department, Risk Management Department, Operation Department, Compliance Department, and other relevant heads of units. The CEO of the bank assumes ultimate responsibility for cybersecurity management, the Chief Information Officer (CIO) holds direct responsibility for cybersecurity, and the Information Technology Department is tasked with handling all matters pertaining to cybersecurity.

(2) Information Security Management Policy

The bank has established the 'Information Security Management Measures' to ensure that the company's information processing complies with relevant information security regulations. The related departments review information security policy and related regulations annually to ensure compliance with regulatory requirements, and evaluate significant issues related to information security. The bank also continues to refine its information security system and strengthen its defensive capabilities. Through the 'Information Security Leadership Group', the bank manages the promotion of information security governance, establishes a unified information security policy, plans information security operations, and ensures that all information operations comply with domestic information security laws and regulations. The bank integrates information security into daily business operations. To strengthen the awareness of information security among employees, the bank cultivates a culture of information security. Information security personnel participate in more than 15 hours of professional training or functional training each year, and other employees receive at least 2 hours of information security education and guidance each year. In addition, the bank requires each information security officer to obtain at least one information security-related certificate to ensure the necessary professional skills and qualities.

(3) Resource Investment

The bank primarily invests resources in improving the basic structure of management and technology, strengthening asset protection equipment, and assessing cybersecurity risks, in order to comprehensively enhance information security capabilities and improve asset protection.

(4) Information Security Protection and Detection Analysis

In response to the ever-changing external attack methods, such as Distributed Denial of Service (DDoS), Advanced Persistent Threat (APT), and social engineering attacks, the bank has adopted a multi-layered defense structure in its security protection measures. The bank deploys firewalls, anti-virus, spam email filtering, intrusion detection and prevention, and endpoint security management systems, and commission excellent information security vendors that have been evaluated and certified by the China Cybersecurity Inspection Technology and Certification Center to conduct cybersecurity level protection evaluation, vulnerability scanning, and penetration testing in various environments to inspect the effectiveness of defense and incident response capabilities. After experts' evaluation, the Corporate Online Banking system (including mobile terminals), Personal Online Banking system (including mobile terminals), and counter system are classified as level three systems, and the official website system is classified as a level two system. After on-site implementation visits, research and testing, the bank's Online Banking systems (including mobile terminals) scored 87.8 points, the counter system scored 85.3 points, and the official website system scored 95.7 points, with all evaluations yielding positive outcomes.

Regarding system development and operations, the bank regularly conducts asset security assessments and adheres to computer system information security regulations. The bank systematically addresses information architecture, network activities, and the security settings of networks, servers, and terminal devices, as well as perform application program security testing in accordance with regulations. The bank proactively identifies and remediates asset security vulnerabilities to mitigate the risk of external service exposure and ensure the stability and security of our information systems. Furthermore, utilizing the Security Scorecard platform and information gathering techniques, the bank monitors risks across ten categories, including cybersecurity, DNS health, patching frequency, endpoint security, IP reputation, web application security, threat intelligence, data leakage and social engineering. In 2023, the bank's rating on this platform was an A, indicating effective management of risks across all assessed categories.

In addition, to enhance information security capabilities, the bank continues to strengthen host security, terminal security, data security, and application security. Through the deployment of Asia Info host antivirus, the bank updates patches for servers with the Red Hat Linux operating system in a timely manner and handle vulnerability patches for servers, among other ways to strengthen host security management. Through the use of desktop cloud to achieve zero data storage on terminals, the bank replaces and stops maintaining personal terminal computers to improve terminal management efficiency. Through regular personal sensitive information education and training for all employees, inspection, and full backup of system data for comprehensive recovery testing, the bank improves the level of data security management. Through the security detection of Personal Online Banking and Corporate Online Banking client software and RSA FraudAction external phishing detection services, the bank improves the security of the bank's APP of electronic internet banking and reduce the risk of customers being deceived.

(5) Information Security Incident Management

The bank has clearly defined the security classification of assets and has established protocols for reporting and managing incidents. In the event of significant asset security breaches, the bank has a protocol that mandates reporting to the Chief Executive Officer (CEO), Deputy CEO, Risk Management Department, Compliance Department, and the Internal Audit Department. The IT unit is responsible for promptly addressing and resolving the incident within the designated timeframe. Following the resolution, a root cause analysis is conducted, and corrective actions are implemented to prevent recurrence.

Over the past three years, the bank has not incurred any losses attributable to information security incidents. In 2023, the bank received a total of four phishing emails originating from external sources. Upon investigation, these emails were found to have had no impact on the bank or its customers. It was confirmed that the surveillance alerts and associated control measures effectively defended against these threats.。

Information Security Incident	2021	2022	2023
Amounts of Incident	0	0	0
Customer Data Loss Due to Information Security Incident	0	0	0
Number of Customers Affected by Information Security Incident	0	0	0
Financial Loss Due to Information Security Incident	0	0	0

Note: The security incidents in this table refer to cyber attacks or computer virus attacks.

Information Leakage Incident	2021	2022	2023
Number of Information Leakage Incidents	0	0	0
Proportion of Personal Data-Related Information Leakage Incidents	0%	0%	0%
Number of Customers Affected by Information Leakage Incidents	0	0	0

(6) Information Security Education and Training

The bank conducts information security training every quarter. In 2023, a total of 1,195 staff participated in the training. The participation rate and pass rate for information security tests were both 100%. The total hours spent on internal and external information security training reached 597.5 hours. In addition, to maintain staff's sensitivity to email social engineering, the bank conducts irregular email social engineering drills. Besides enhancing staff's sensitivity, it also helps them understand how to identify phishing emails. In 2023, a total of 8,154 simulated emails were sent, with 25 clicks on the links or attachments, resulting in a click rate of 0.31%. The results show that the bank's staff have a high level of sensitivity to social engineering.

1.9 Large Exposure Risk Management

The bank maintained robust large exposure risk management throughout 2023. As of December 31, 2023, the ratio of the credit exposure to the largest single non-bank customer relative to net capital stood at 8.52%, which is within the regulatory limit of 10%. The ratio of large exposure risk to Tier 1 capital for the same customer category was 8.87%, adhering to the regulatory cap of 15%. For the largest non-bank group customer, the large exposure risk as a percentage of Tier 1 capital was 12.24%, compliant with the regulatory threshold of 20%. Additionally, the ratio for the largest single bank or banking group's large exposure risk to Tier 1 capital was 20.50%, aligning with the regulatory limit of 25%.

1.10 Capital Management

The bank's management of the capital adequacy ratio remained robust in 2023, reflecting a strong capacity for risk resistance, with no requirement for capital replenishment.

Each year, the bank formulates a three-year capital plan and a capital adequacy ratio management strategy. This involves a meticulous assessment of the evolving macroeconomic landscape, operational environment, and the projected expansion of business scale. The bank forecasts the capital necessary for future operations and identify potential avenues for capital replenishment. Once approved by the board of directors, these plans are forwarded to the parent company for review and approval. This process ensures that the parent company can extend financial support to E.SUN(China) when required.

The bank employs the Weighted Approach to calculate the risk-weighted assets for on-balance sheet credit risk, off-balance sheet credit risk, and counterparty credit risk exposure. For market risk, the bank utilizes the Standardized Approach, and for operational risk, the bank applies the Basic Indicator Approach.

As of December 31, 2023, the Bank has determined its Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio, and Total Capital Adequacy Ratio in accordance with the 'Commercial Bank Capital Management Regulations' and other pertinent regulatory guidelines as follows:

BIS	
	Unit：RMB Ten Thousand
Item	Balance
1.Net core tier 1 capital	222,220
2.Tier 1 capital	222,220
3.Net capital	235,001
4.Credit risk weighted assets	1,407,852
5.Market risk weighted assets	311,417
6.Operational risk weighted assets	61,682
7.Total Risk-Weighted Assets Before Calibration	1,780,951
8.Total Risk-Weighted Assets After Calibration(Applying the Capital Floor)	1,780,951
9.Core tier 1 capital adequacy ratio	12.48%
10.Tier 1 capital adequacy ratio	12.48%
11.Capital adequacy ratio	13.20%

1.11 Stress Testing

To refine the stress testing process, the Bank in 2023, in accordance with the stress testing scenarios published by the People's Bank, adjusted the conversion rate of trading account securities to be consistent with the standards of the People's Bank, making the hypothetical scenarios more closely aligned with the bank's actual situation. In 2023, the bank's liquidity risk stress testing scenarios have fully considered situations such as deposit outflows, inability to repay interbank loans upon maturity, inability to liquidate securities as normal, and counterparties defaulting on transaction amounts. The test outcomes indicate that all the bank's liquidity ratio indicators meet regulatory standards.

The capital adequacy ratio stress test results in 2023 reveal that, under various stress scenarios encompassing credit risk, market risk, operational risk, reputational risk, country risk, and other significant risk factors, the bank's capital adequacy ratio stress test results comply with regulatory requirements, maintaining a level above regulatory thresholds even under severe stress conditions.

The bank annually validates the effectiveness of its stress testing framework, and the evaluation outcomes indicate that the 2023 stress testing policies and plans are both effective and reliable. The bank's stress testing process is well-documented and retains detailed records. Furthermore, in 2023, the bank reported the stress testing results to the Asset and Liability Management Committee monthly and to the Board of Directors and regulatory authorities quarterly.

In 2023, the bank's Internal Audit Department conducted an internal audit on the implementation of the stress testing framework, identifying no significant deficiencies.

1.12 Business Continuity Management

In 2023, the bank conducted a review of 63 primary business lines and processes throughout the organization, encompassing 51 general business operations (including 3 new product offerings: insurance agency, large deposit certificates, and interbank deposit certificates) and 12 critical business operations. Through this review and analysis, the bank has determined the Recovery Time Objective (RTO), Recovery Point Objective (RPO), recovery priority order, interdependencies between critical businesses, dependencies between critical businesses and information systems, as well as the RTO, RPO, recovery priority order, interdependencies between 10 key systems, minimum resources required, risk exposure, and etc.

1.12.1 Business Continuity Plan (BCP)

The bank's Information Technology Management Committee formulated a three-year (2023-2025) business continuity exercise plan during its second meeting in 2022. In 2023, the bank conducted business continuity management exercises in accordance with the established schedule. These exercises reinforced staff familiarity with emergency handling procedures, enhanced emergency response capabilities, minimized the impact and disruption caused by operational outages, and safeguarded the continuous and stable operation of various business lines.

1.12.2 The Continuity of Important Business Operations in 2023 is as Follows:

(1) On September 9, 2023, a live takeover drill for corporate online banking, personal online banking, and mobile banking services was successfully completed.

(2) On December 16, 2023, a live takeover drill for international currency exchange, foreign exchange settlement, import/export transactions, international guarantees, inward/outward remittances, domestic guarantees, and non-credit card deposit transfer transactions was successfully executed.

Date	Exercise Projects	Aiming Time		Practical Time	
		RTO	RPO	RTO	RPO
2023/9/9	Corporate Online Banking	<=4H	<=30Min	3H and 16Min	0
	Pravite Online Banking	<=4H	<=30Min	3H and 16Min	0
	Mobile Banking	<=4H	<=30Min	3H and 16Min	0
2023/12/16	International Remittance	<=4H	<=30Min	2H and 48Min	0
	Foreign Exchange Settlement and Sale	<=4H	<=30Min	2H and 48Min	0
	Import/Export and International Guarantee	<=4H	<=30Min	3H and 2Min	0
	Dial-in/Repayment、Domestic Guarantee	<=4H	<=30Min	3H and 36Min	0
	Non-UnionPay Card Deposit Transfer Transaction	<=3H30Min	<=20Min	1H and 42Min	0

1.12.3 Important System Disaster Recovery Exercises

In addition to refining data backup and system local backup mechanisms, the bank regularly conducts impact assessments of business systems, establishes business continuity plans, and performs practical exercises in accordance with the 'Data Backup and Disaster Recovery Management Operating Procedures'. In 2023, 10 critical information systems were identified, encompassing customer-facing systems, accounting-related systems, time-sensitive business processing systems, and channel systems. Over the past three years, the bank has consistently conducted exercises for various critical information systems (in scenarios involving different or the same location switching), achieving 100% coverage of key information systems. The system recovery sequence and system RTO/RPO are outlined as follows:

Sequence of Recovery	System	Single System RTO/RPO (Minutes)	2021	2022	2023
			RTO/RPO/Failover Scenarios	RTO/RPO/Failover Scenarios	RTO/RPO/Failover Scenarios
1	T24 Core Banking System	150/5	113/0 off-site	N/A	31/0 on-site
2	Clerk Counter System	120/5	113/0 off-site	N/A	31/0 on-site
3	Corporate Online Banking	120/5	90/0 off-site	44/0 off-site	196/0 off-site
4	Private Online Banking	120/5	90/0 off-site	44/0 off-site	196/0 off-site
5	Private Mobile Banking	120/5	90/0 off-site	44/0 off-site	196/0 off-site
6	Unified Payment System	140/5	N/A	149/0 off-site	5/0 off-site
7	Fund Clearing System	120/10	113/0 off-site	N/A	N/A
8	Unionpay Debit Card System	110/10	27/0 off-site	35/0 on-site	70/0 on-site
9	Bill Trading System	150/10	N/A	N/A	220/0 off-site
10	Corporate Mobile Banking	120/5	N/A	N/A	196/0 off-site

Note: (1) The main reason for the overtime of the Bill Trading System exercise is that the bill exchange staff reset MQ tasks took more time.

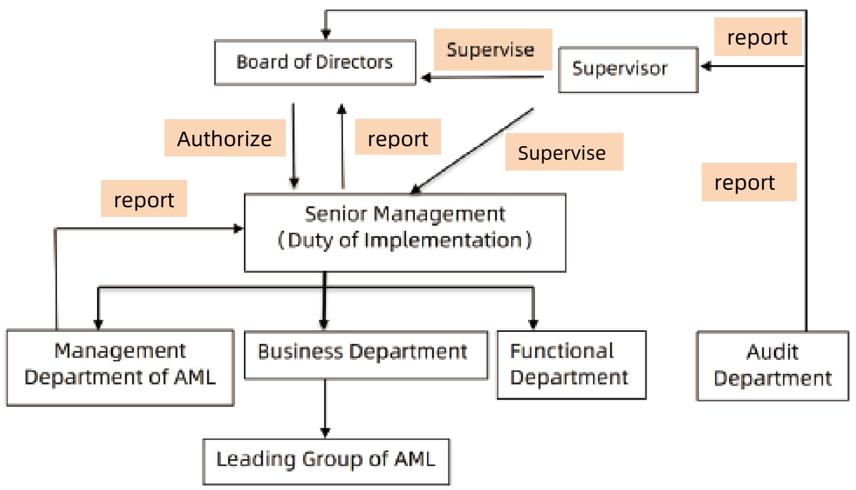
(2) The main reason for the overtime of the corporate/personal online banking and mobile banking exercise is that the front-end application could not connect to the backup database during the exercise. The backup database has been repaired and included in the verification process of subsequent exercises.

2. Anti-Money Laundering and Anti-Terrorist Financing Management

In the context of globalization, money laundering and terrorist financing activities occur not only within a country but also through financial institutions for cross-border transactions and asset transfers. Anti-money laundering and anti-terrorist financing have become important issues of common concern in the international community and the financial industry. The bank has actively implemented various mechanisms for anti-money laundering and anti-terrorist financing, continuously improved the internal control and process of anti-money laundering and anti-terrorist financing, strengthened refined management, optimized the organization's money laundering risk assessment, refined customer due diligence control measures, strengthened transaction monitoring and reporting, strengthened system construction, and optimized system functions. In addition, the bank continuously improves the training mechanism for anti-money laundering and anti-terrorist financing, develops various forms of training, and enhances the awareness and ability of all members to prevent money laundering.

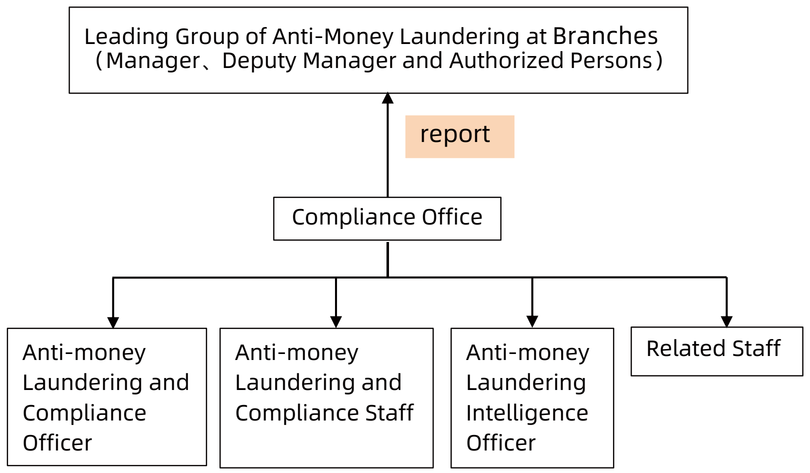
2.1 Organizational Structure of Anti-Money Laundering and Anti-Terrorist Financing

2.1.1 Organizational Structure and Responsibilities of Anti-Money Laundering at the Head Office



The organizational structure of anti-money laundering and counter-terrorism financing of the bank is composed of the Board of Directors, Supervisor, Senior Management, Compliance Department, various business departments, functional departments (including the Information Technology Department and Human Resources department), and Internal Audit Department. The Board of Directors is the highest governing body for anti-money laundering and counter-terrorism financing, responsible for approving management strategies, systems, and policies, and supervising and inspecting the execution by senior management. The supervisor is responsible for supervising the board of directors and senior management in fulfilling their duties in money laundering and terrorist financing risk management, and timely providing suggestions and opinions. The senior management is responsible for implementing, responsible for overseeing the entire bank's anti-money laundering and counter-terrorism financing work, approving the establishment of relationships with high-risk customers, and handling violations of the bank's risk management policies and procedures. Compliance Department is the dedicated department responsible for anti-money laundering and counter-terrorism financing, responsible for leading the development of related management work, establishing and improving internal control systems and internal inspection mechanisms, formulating annual anti-money laundering work plans and promoting implementation; organizing the development of anti-money laundering related publicity and training activities and etc.Each business management department is responsible for identifying, evaluating, and monitoring the money laundering risks of each business line, and embedding the principles and requirements of money laundering risk management into product development, process design, business management, and specific operations. Each functional department implements job responsibilities according to its obligations.

2.1.2 Organizational Structure and Responsibilities of Anti-Money Laundering at Branches



The organizational structure of anti-money laundering and counter-terrorism financing at branches is composed of the Leading Group of Anti-Money Laundering at Branches, Compliance Office, anti-money laundering and Compliance Officer, Anti-money Laundering and Compliance Staff, Anti-money Laundering Intelligence Officer and other related staff. The branch Anti-Money Laundering working leadership group is mainly composed of President, Vice President (if any), and Authorized Persons, responsible for overseeing the branch's Anti-Money Laundering and counter-terrorism financing work, organizing Anti-Money Laundering work meetings, discussing Anti-Money Laundering work and related matters, and ensuring that the branch's various businesses comply with Anti-Money Laundering supervision requirements; the branch Compliance Office is equipped with a dedicated or part-time Anti-Money Laundering supervisor and Anti-Money Laundering Compliance Staff responsible for summarizing, supervising the implementation of Anti-Money Laundering in this institution, and reporting to the Anti-Money Laundering responsible department; the branch each business line appoints specialized personnel to serve as a Anti-Money Laundering compliance staff or anti-money laundering information staff, ensuring the effective implementation of Anti-Money Laundering work in the business process. The bank conducts an annual business performance evaluation of the business network, and the evaluation items also include the implementation of Anti-Money Laundering work, in order to urge each business network to actively implement the various work requirements of Anti-Money Laundering.

2.1.3 Supervising Personnel of Anti-Money Laundering

The bank attaches great importance to the application and practice of anti-money laundering management in various business lines. In addition to setting up a Supervising Personnel of Anti-Money Laundering in business departments, it also sets up an anti-money laundering working leading group mechanism with the department head as the group leader and the anti-money laundering Supervising Personnel as the deputy group leader. The anti-money laundering working leading group holds at least one meeting every quarter. In addition, the Legal and Compliance Department organizes a bank-wide Anti-Money Laundering and compliance work meeting every quarter, and the Anti-Money Laundering Supervising Personnels of various business management departments are present to conduct two-way exchanges on Anti-Money Laundering work, strengthen the connection between the Anti-Money Laundering responsible department and the business management department, and improve the Anti-Money Laundering working level of each business line.

2.2 Anti-Money Laundering and Counter-Terrorism Financing Mechanism

The bank's AML and CFT mechanism can be roughly divided into eight aspects, including policy and process, customer due diligence, list scanning, suspicious transaction reporting, technology operation, Money Laundering risk assessment, customer information and transaction record retention, publicity and training.

2.2.1 Policy and Process

The bank has established an internal control system for AML and CFT, including the 'Anti-Money Laundering and Counter-Terrorism Financing System', 'Anti-Money Laundering and Counter-Terrorism Financing Work Management Measures', 'Customer Money Laundering and Terrorism Financing Risk Level Division Management Measures', 'Customer Due Diligence Operation Procedures', 'Money Laundering Risk Self-Assessment Measures' and 'Money Laundering Risk Self-Assessment Operation Procedures', etc., covering customer identity recognition, real beneficiary recognition, customer risk level division, large amount and suspicious transaction

risk monitoring and analysis process, customer exit anti-money laundering due diligence process, customer identity information and transaction record retention and institutional Money Laundering risk self-assessment, etc., to ensure comprehensive identification and prevention of money laundering and terrorist financing risks.

To improve the operational process, the bank revised the 'Anti-Money Laundering and Anti-Terrorist Financing Work Management Measures' and 'Customer Money Laundering and Terrorist Financing Risk Level Division Management Measures' in April and October 2023 respectively. Adjustments were made to extend the analysis time limit for suspicious transactions caused by irresistible factors or complex cases, and to improve the authority to verify, analyze, and report suspicious transactions. The bank also enhanced the follow-up control measures after reporting suspicious transactions, added the impact assessment of anti-money laundering information security, and added the content of the special chapter on the division of risk levels for bank peers and customers.

Before the development of new products (business), the bank needs to conduct money laundering and terrorist financing risk assessment according to the 'New Product (Business) Compliance and Risk Inspection Operation Procedure', to inspect whether the new product (business) involves money laundering and terrorist financing risks and whether the business management department has taken corresponding control measures. The corresponding evaluation results need to be reviewed by the new product (business) review team. As of December 31, 2023, the main money laundering risks of the current products (business) are medium and low risks.

2.2.2 Customer Due Diligence

The bank strictly implements the requirements for customer identity recognition, adheres to the principle of 'know your customer', verifies the authenticity of customer identity information, and confirms the identity information of domestic citizens through the online verification system, and confirms the authenticity of corporate customer identity information through the national enterprise information public display network query business registration information and provides relevant documents to identify the actual beneficiary. The bank will also check the customer, agent, corporate legal representative, actual beneficiary, and transaction counterpart against the watch list to ensure that the above-mentioned personnel are not listed in the sanctions list or other watch lists.

Before opening an account for a customer, the bank checks whether it involves high-risk factors, including high-risk industries, occupations, watch list inquiries, high-risk countries or regions, etc. If involved, it can enter the account opening process after conducting enhanced due diligence. The bank classifies customer risk levels into high risk, medium risk, and low risk. Different due diligence measures are taken for customers with different risk levels.

In terms of continuous due diligence, when customer identity information changes, documents expire, or there are doubts about the previously obtained customer identity information, changes in corporate legal representatives and etc., the bank will promptly carry out a new identification process for customer identity to ensure the accuracy of customer identity information. When a customer closes an account, the bank is required to carry out due diligence work before the customer closes the account.

2.2.3 List Scanning

The bank purchases the watch list database from Dow Jones, which includes the United Nations sanctions list, public security department and other authoritative agency notification lists, terrorist-related lists, FATF, OFAC and other international authoritative organization watch lists, effectively preventing suspected money laundering and terrorist financing personnel from opening accounts and transactions. The bank continuously maintains and updates the scanning list range according to regulatory requirements and external environment, and updated the Ministry of Foreign Affairs list and the Taiwan Affairs Office's sanctions list to the real-time scanning list database in 2023.

When the bank establishes a business relationship with a customer or adds a new business, it immediately checks the customer and its legal representative, actual beneficiary and etc. against the list. In terms of transaction scanning, the bank conducts real-time list checks on customers and transaction counterparts of all-channel transactions. In addition, the bank conducts daily retrospective audits of customers and transactions through the system, effectively controlling the Money Laundering and Terrorist Financing risks of the customers and related transactions.

2.2.4 Large Amount and Suspicious Transaction Reporting

The Bank strictly follows the regulations for large transaction monitoring, and reports large transactions in accordance with internal and external rules. In terms of suspicious transaction monitoring, the bank has established its own monitoring rules based on anti-money laundering laws, regulations, notifications issued by regulatory bodies, and risk warnings, taking into account the characteristics of customer groups and business development. The bank conducts system monitoring and regularly reviews suspicious monitoring rules every year, and adjusts relevant rules as needed. In 2023, the bank added five suspicious monitoring rules, mainly for monitoring transactions where multiple customers have the same agent, legal representative, relationship, actual beneficiary, or related address. To further improve the suspicious transaction monitoring system, the bank commissioned

Deloitte Touche Tohmatsu CPA LLP to assist in verifying the effectiveness of the suspicious transaction monitoring rules. The project was completed in 2023, and the bank has also completed the implementation of two suspicious transaction monitoring rules based on the recommendations.

2.2.5 Technology Operation

The bank has established an anti-money laundering and anti-terrorist financing management system, covering modules such as list inquiry and case execution, customer risk rating, large amount, suspicious transaction monitoring, report management, and Anti-Money Laundering internal management report. In 2023, the bank completed 19 refinements of the Anti-Money Laundering system, covering system function optimization, system data parameter adjustment, addition and adjustment of suspicious transaction monitoring rules, and system migration.

2.2.6 Money Laundering Risk Assessment

According to the 'Self-Assessment Guidelines for Money Laundering and Terrorist Financing Risks of Legal Financial Institutions' issued by the People's Bank of China, the bank has independently established a system and methodology for self-assessment of money laundering and terrorist financing risks at the end of 2021, and completed the first formal assessment based on the methodology in November 2022, which was approved by the third board of directors. The bank will continue to monitor changes in risk and timely update and improve self-assessment indicators and assessment methods to ensure that the bank can objectively grasp the status of Money Laundering and Terrorist Financing risks.

2.2.7 Customer Information and Transaction Record Retention

The bank adheres to the principles of safety, accuracy, completeness, and confidentiality, and adopts necessary management measures and technical measures (including the combination of paper and system storage methods) to store customer identity information and transaction information (including data information for each transaction, business vouchers, accounts, and contracts, business vouchers, documents, business files, and other data reflecting the true situation of transactions required by regulations), to prevent the loss, damage (such as fire, water, theft, decay, etc.) or leakage of customer identity information and transaction records, and to ensure that the retention period is not less than 5 years. As of December 31, 2023, the bank's customer and transaction-related information are well managed, and no information leakage or damage has occurred.

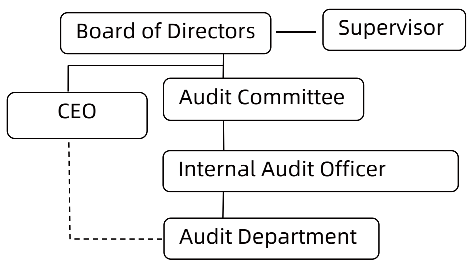
2.2.8 Publicity and Training

The bank has made anti-money laundering and anti-terrorist financing publicity a long-term task in daily work, and has placed knowledge publicity manuals and posters in business premises. In 2023, the Bank conducted 9 anti-money laundering publicities through online and offline channels, covering topics such as preventing illegal fundraising, preventing telecommunications network fraud and underground money houses, international drug prohibition day anti-money laundering publicity, and anti-money laundering knowledge into campus. Through publicity to the public and incoming customers, the public's attention and understanding of AML and CFT work are guided, and customers' risk prevention awareness is strengthened. In addition, the person in charge of the bank's anti-money laundering department led a team to two rural primary schools in Ulanqab, Inner Mongolia, to guide students on Anti-Money Laundering and Anti-Terrorist Financing, and anti-telecom network fraud knowledge, through lively and rich materials and case analysis, to help students establish correct financial knowledge concepts, properly manage personal information, and protect their rights and interests from infringement.

To strengthen the overall staff's awareness of anti-money laundering and anti-terrorist financing, improve the professional quality of staff, and effectively prevent potential money laundering and terrorist financing risks, the bank organized a total of 42 internal and external trainings in 2023, with a staff coverage rate of 100%. The training topics include illegal fundraising, virtual currency, customer due diligence, strengthening due diligence, etc. The external training courses are mainly online training courses from Zhengzhou Training Institute of the People's Bank of China and network seminars and training from the ACAMS. In addition, in order to understand the staff's grasp of training knowledge, the bank randomly selects staff to participate in tests every half year, covering knowledge related to AML and CFT.

3. Internal Audit

3.1 Organizational Structure of Internal Audit:



(1) The Board of Directors bears the ultimate responsibility for the independence and effectiveness of internal audit, responsible for approving internal audit charter, medium and long-term audit plans and annual audit plans, reviewing the progress of internal audit work, evaluating the quality of internal audit, and approving the internal audit budget and the appointment and dismissal of Internal Audit Officer.

(2) The Audit Committee is composed of three directors with expertise and work experience in finance, auditing, accounting or law (at least one of them), two of whom are independent directors, and the chairman of the committee is an independent director. The Audit Committee assists the Board of Directors in reviewing and evaluating the work of internal audit, in order to promote the bank's business operation, risk management, internal control compliance and corporate governance execution.

(3) The Audit Department reports functionally to the Audit Committee and administratively to the CEO. It is responsible for auditing the effectiveness and execution of the bank's major business, risk management, and internal control systems. The Internal Audit Officer is directly appointed and dismissed by the Board of Directors.

3.2 Internal Audit Work Situation

3.2.1 Implementation of Internal Audit Plan and Audit Projects

In accordance with the 'Commercial Bank Internal Audit Guidelines', various regulators' opinions, and the bank's 'Internal Audit System' and 'Internal Audit Operation Procedures', the bank has formulated the '2023 Internal Audit Plan' based on the results of the bank's audit risk assessment. In 2023, a total of 27 internal audit projects were carried out (including 7 comprehensive audits, 18 special audits, and 2 resign audits). No major deficiencies were found in the audits. For the audit findings, all units have actively rectified them. The specific situation of the internal audit projects is as follows:

Categories of Audit Project	Audit Projects	Audit Findings/ Suggestions
Comprehensive Audits for Branches	Comprehensive Audit for Business Department	25
	Comprehensive Audit for the Shenzhen Branch	
	Comprehensive Audit for the Dongguan Branch(including the Chang'an Branch)	
	Comprehensive Audit for the Guangzhou Branch	
Corporate Governance and Internal Control	Special Audit for RPT Management	8
	Special Audit for Performance Appraisal and Salary Management	
	Special Audit for Corporate Governance and Compliance Risk Management	
	Special Audit for Financial Reports and Regulatory Reportings	
	Special Audit for Internal Control Management of Foreign Exchange and Cross-border Business	
	Special Audit for Capital Management	
Customer Protection	Special Audit for Financial Customer Protection and Payment Sensitive Information Security	2

Risk Management	Special Audit for Market Risk Management	15
	Special Audit for Expected Credit Loss Management	
	Special Audit for Liquidity Risk Management	
	Special Audit for Operational Risk Management	
	Special Audit for Comprehensive Risk Management (Sub-project: Reputation Risk Management)	
	Special Audit for AML and CFT	
Major business	Special Audit for Derivatives and Bond Investment Business Management	17
	Special Audit for Credit Management	
	Comprehensive Audit for Credit Business Management	
	Special Audit for Management of Structured Deposit	
	Special Audit for Off-balance Sheet Business and Loan Risk Classification Management	
IT	Special Audit for Important Systems and Major Project Management	12
	Comprehensive Audit for Information Technology Risk Management	
	Comprehensive Audit for Business Continuity and Outsourced Business Management	
Resign Audit	Resign Audit for Assistant to President, Wen-Chieh Chang	-
	Resign Audit for Assistant to President, Chien-Yao Wang	-

Note: The audit reports are reported to the Audit Committee and the Board of Directors after completion in each quarter and annually.

3.2.2 Internal audit findings and follow-up of external organization inspections or reviews

In 2023, the bank carried out a total of 27 internal audit projects, proposing 79 opinions or suggestions related to business process execution, AML, IT, etc. In addition, the parent company's audit department conducted an annual general inspection of the bank in August 2023, proposing 12 opinions or suggestions related to system regulations and business processes and etc. In terms of external inspections, the Shenzhen Supervision Bureau of NFRA conducted an 'Innovation Business Audit Inspection' of the bank in August 2023, proposing improvements related to derivative product management and bond investment management. The Guangdong Supervision Bureau of NFRA conducted a rapid inspection of the Guangzhou branch's credit business and internal management and etc. in October 2023, proposing suggestions for refining the credit business management process and etc.

The Internal Audit department has supervised all relevant units to actively rectify the issues found in the above audits and inspections, and reported to the Audit Committee and the Board of Directors, promoting the continuous improvement of the bank's internal control management work.

3.2.3 Supervising self-inspection work

In order to give full play to the effectiveness of self-inspection, self-improvement, and self-correction, The Internal Audit department guided each unit to formulate self-inspection plans and work drafts based on their own business systems, operating procedures, and supervision focuses in 2023, and continuously tracked the implementation of quality inspections and self-inspections by each unit.

4. Internal Control Evaluation

According to the bank's 'Internal Control Evaluation Management Measures', the Internal Audit department is responsible for the internal control evaluation, and conducts an annual evaluation of the effectiveness and completeness of internal control, and reports to the Board of Directors for review and approval.

In 2023, the Internal Audit department integrated relevant documents such as internal audit, quality supervision inspection, legal compliance self-assessment, compliance inspection, operational risk event records, operational risk meetings, supervision inspection and rating results, etc., and referred to the self-assessment results of each unit to evaluate the bank's internal control situation. The internal control evaluation results of 2023 show that the bank's internal control is basically sound, a system of regulations covering business development and internal management has been established, an organizational structure suitable for business and organizational scale has been constructed, important internal control measures can be effectively implemented, the improvement suggestions put forward in the past have been adopted by the management, and there are no major internal control deficiencies and important deficiencies, but there are general deficiencies. These general deficiencies are within controllable range, and will not constitute major deficiencies or substantive impact on the bank from an overall perspective. These deficiencies can be corrected in the normal business process and have no major impact on safe and sound operation.。

VI.Sustainable Development

1. Human Resources

1.1 Building the Second Happy Home of Employees with DEI as Its Core Value

Since its inception, the bank has established three foundational pillars for sustainable operation: 'System Establishment', 'Talent Cultivation', and 'Information Development'. The bank firmly believes that 'talent is the leading force and also the key factor'. Therefore, the bank has been long dedicated to the development of human capital, endeavoring to provide staff with ample opportunities for growth and professional advancement. This commitment aims to inspire and nurture the creativity and potential of our employees, empowering each individual who is dedicated to the long-term development of the bank to shape their own future.

Additionally, the bank places a high priority on enhancing employee benefits, offering competitive salaries and benefits packages that are on par with market standards. The bank provides a diverse range of employee care initiatives and foster a supportive and amicable working environment, thereby achieving a harmonious work-life balance. The bank's human resources strategy is anchored in diversity, equality, and inclusion, creating a nurturing environment that is the second happy home for all employees.

1.1.1 Diversity

The bank continuously expands recruitment channels. In addition to participating in offline recruitment fairs, we actively use online recruitment platforms such as 51Job and Zhaopin. In addition, the bank cooperates with universities to establish internship bases, attracting excellent fresh graduates, building a talent reserve library, and providing human resources support for the business development of the bank. In addition to actively recruiting local employees, the bank also focuses on attracting talents from Hong Kong, Macao, Taiwan, and foreign countries, and also different majors to join the team. As of December 31, 2023, the bank has 325 employees, with Hong Kong, Macao, Taiwan, and foreign employees accounting for 22.15%, female employees accounting for 56.62%, and the average age of employees is 32.5 years old. In terms of academic distribution, masters (including PhD) account for 22.46%, bachelor degree accounts for 72.62%, and diploma and below account for 4.92%. The employee situation in the past three years is as follows:

Item \ Year		2023	2022	2021
Amount Numbers		325	319	295
Percentage of Female Employees		56.62%	56.11%	52.88%
Average Age		32.5	32.0	32.6
Average Working Life		5.77 Year	5.19 Year	5.74 Year
Education Background	Masters (including PhD)	22.46%	21.00%	23.05%
	Bachelor Degree	72.62%	73.98%	71.86%
	Diploma and Below	4.92%	5.02%	5.08%

1.1.2 Equity

The bank upholds equal treatment of all employees, advocating for meritocracy and remaining impartial. The bank does not discriminate or show preference based on ethnicity, skin color, nationality, gender, religious beliefs, age, health, or other factors. The bank is committed to promoting a system of equal promotion and salary adjustment opportunities. Whether it is a matter of promotion or salary adjustment, the bank evaluates based on the employee's job performance, performance appraisal, personal capabilities, work progress, and performance level. There is no bias due to gender or ethnicity. The bank employs six ethnic minority individuals and there are two female directors out of the total board members, which represents 56.62% of the bank's female workforce. There are three female senior managers in the bank, such as the deputy manager of the Guangzhou Branch and the two compliance officers of the Shenzhen and Dongguan Branch. Additionally, the bank has hired one person with disabilities, all of which demonstrate our commitment to an equitable workplace environment.

1.1.3 Inclusion

The bank is dedicated to fostering an inclusive culture that values the feedback and voices of every employee. The bank has established multiple communication channels, allowing employees to promptly raise issues through a 'physical suggestion box', 'HR unit manager mailbox', and 'general manager mailbox', among others. These concerns are addressed and responded to by the appropriate department or personnel. The bank continuously creates an inclusive work environment that encourages employees to share their perspectives, voice concerns, and express their opinions, with respect for diverse viewpoints.

The bank conducts a '360-degree feedback questionnaire' annually, which is evaluated by subordinates, peers, and superiors for managers at the middle level and above. This process aims to enhance team communication, improve leadership and management skills, and drive business growth through open and direct dialogue.

To capture the voices of employees, the bank also conducts an 'Employee Suggestion Questionnaire Survey' each year, encouraging staff to provide feedback anonymously. The feedback from each employee serves as a valuable reference for the ongoing development.

The percentage of the satisfaction score of the employee survey in the past three years that is 4 points or more (out of 5 points):

Item \ Year	2023	2022	2021
I feel a great sense of achievement working at E.SUN(China)	83.45%	80.0%	79.0%
My friends and family take pride in my work at E.SUN(China)	75.52%	69.1%	70.5%

1.2 Employee Care and Welfare

In terms of compensation, the bank has established a comprehensive salary management system. The bank continuously refines salary structure in response to labor market dynamics, regional disparities, and our operational performance. The bank offers competitive remuneration packages that align with market standards, and it has implemented a more agile salary review mechanism. The bank is dedicated to enhancing our performance-based incentive system to safeguard the fundamental rights of our employees effectively. Annually, the bank conducts a thorough review of salary scales in conjunction with salary strategy, prevailing market conditions, and the bank's growth trajectory. This process ensures regular salary adjustments and ongoing improvements to compensation system, all of which are designed to foster the development of business.

Regarding employee welfare, the bank provides all legally mandated benefits, including social insurance and housing provident funds, to employees. Additionally, the bank offers an array of supplementary benefits such as annual festival allowances, birthday gifts, group commercial insurance policies, and regular health check-ups. The banks is committed to attending to the well-being and life quality of employees, aiming to cultivate a 'home-like' work environment and provide all-encompassing care. The bank extends festival benefits to employees on occasions such as the Spring Festival, Mother's Day, Mid-Autumn Festival, and Dragon Boat Festival. Birthday benefits are also presented to employees on their special day. To bolster team spirit and offer a variety of leisure activities, the bank organizes annual employee excursions. Through a variety of cultural and recreational initiatives, the bank aims to deepen emotional bonds among staff and enhance their sense of community.

Unit: RMB

Year \ Categories	Labor Insurance Premiums	Housing Provident Fund	Employee Health Check-up Expenses	Commercial Insurance
2023	10,962,707.85	5,237,633.68	156,500.00	272,305.95
2022	9,395,621.99	4,336,481.60	36,000.00	167,231.15
2021	7,565,642.42	3,462,358.84	41,307.06	148,766.00

In terms of leave entitlements, in addition to the national holidays as prescribed by the State Council, employees who have completed one year of service with the bank are entitled to 7 days of paid annual leave per year. This allowance increases incrementally with years of service, up to a maximum of 20 days, which surpasses the statutory requirements for paid annual leave. Concurrently, employees are entitled to a range of leave types in accordance with regulations, including marriage leave, maternity leave, sick leave, funeral leave, personal leave, and work injury leave. To better accommodate the work-life balance and provide additional convenience to staff, the bank introduced childcare leave and nursing leave in 2023, aligning with the 'Guangdong Province Population and Family Planning Regulations'.

To safeguard the fundamental rights of our employees, the bank has established a reporting mechanism and has made available various channels for reporting violations. Through educational initiatives and training programs, the bank encourages employees to report any workplace issues at any time, ensuring the confidentiality of the reporter's identity and effectively safeguarding employee interests. Employees who experience sexual harassment or gender discrimination, either in speech or action, during their work can submit a formal written complaint to the human resources department. To ensure that employees have access to protection, support, and assistance when subjected to unlawful infringement by supervisors, colleagues, clients, or other third parties, the bank established a workplace bullying complaint handling system in 2023. This system has been communicated bank-wide, with clear definitions of workplace bullying, complaint procedures, and outlined investigation and resolution processes, along with related support measures.

To elevate the service quality and work performance of our employees, the bank has instituted awards for service model employees and for excellence in work quality. These awards aim to foster a sense of pride, encourage mutual assistance and cooperation, and promote learning and growth among staff, enhancing both customer satisfaction and personal achievement.

The bank is dedicated to achieving a healthy work-life balance for our employees and places a high priority on their physical well-being. We regularly organize weekly sports group activities, including basketball, badminton, table tennis, and yoga, with the goal of reducing employee stress, improving physical fitness, and supporting a healthy lifestyle.

1.3 Cultivation and Development

The bank adheres to the core values of honesty, integrity, and professionalism, and is committed to long-term talent cultivation, emphasizing the culture of discipline and innovation, and continuously moving towards common vision, creating value for our customers, employees, and the bank. All professional positions in the bank have established corresponding training mechanisms, setting up online and offline learning resources according to the characteristics and business nature of the personnel, and through the guidance of internal and external lecturers, providing employees with a complete learning journey.

1.3.1 Steady Increase in Educational Investment

Year	2023	2022	2021
Employee Education Funds (RMB)	340,358.50	165,097.55	251,286.83

1.3.2 Training effectiveness in 2023

Training Course	Contents	Number of Participants	Satisfactory	Pass Rate
Training Classes for New Employees	Corporate Culture, Customer Service, Legal Knowledge, Retail and Corporate Banking, Risk Management, Outdoor Team Work, etc.	45	99.07%	100%
Management Capability Training Classes	Business and Strategic Development, Risk Management Practices, ESG Business and Sustainable Operations, Business Negotiation and Practice, Team Empowerment and Employee Motivation Management, etc.	60	96.39%	100%
Training Classes for ARM/RM	Credit Case Writing and Practical Application, Financial Statement Analysis, Green Finance/Syndication and Private Equity (PE) Business, Compliance and Anti-Money Laundering Requirements in Business Operations, Post-Loan Management, etc.	85	97.26%	100%

1.3.3 Diversification of Training Methods and Content

(1) e-Learning Online Digital Platform Tailored to the levels and needs of employees, the bank offers customized

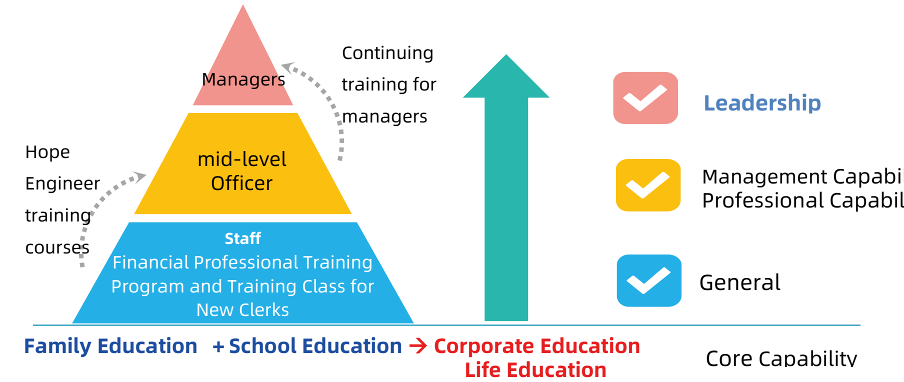
learning pathways and resources to enhance the effectiveness of employee education. In 2023, the bank launched an e-Learning Online Digital Platform that hosts a variety of courses, including general education, business skills, language proficiency, and cross-border knowledge, allowing employees to engage in self-directed learning. The platform also facilitates mobile learning, thus increasing the flexibility and convenience of educational pursuits.

(2) Online Morning Meeting Knowledge Sharing

The bank conducts weekly online morning meetings, where employees take turns to present on topics such as financial news, MBA concepts, regulatory compliance, and customer service protocols. These sessions not only keep employees informed about market trends and provide them with insights into financial technology, compliance, and etiquette but also serve to sharpen their presentation skills.

(3) Gradual Talent Cultivation Pathway

The bank is dedicated to delivering comprehensive training programs and personal development support for its workforce. The bank has designed a progressive talent development pathway that aligns with the career stages of our employees. This includes orientation programs for new clerks, leadership development courses for mid-level officers, and executive business management seminars for senior managers, among other targeted initiatives.



Training class for new employees

Management capability training class for middle-level Officers

(4) Multi-dimensional Professional Course Delivery

The bank periodically conducts professional training for business, foreign exchange, compliance, and risk management personnel. In 2023, the bank held three Account Relationship Manager (ARM)/Relationship Manager

(RM) training classes and conducted comprehensive compliance training for branch personnel in May and December. Additionally, the bank irregularly organizes training sessions on foreign exchange, risk management, employee conduct, and other topics. Through comprehensive course learning, employees can gain relevant professional knowledge from multiple perspectives, enabling them to provide more professional services to customers.

(5) Inviting Outstanding Internal and External lecturers to teach

To enhance the quality of training courses and refine the training education system, the bank invites both exceptional internal senior executives and eminent leaders from its parent company to deliver lectures to employees. The topics covered include the bank's business philosophy, international alignment, problem-solving techniques, and project management methodologies. Moreover, to diversify the curriculum, the bank engages accomplished external lecturers from mainland China and Taiwan to teach employees about problem-handling strategies, passion ignition, business negotiation techniques, team empowerment, and employee motivation management.

(6) Encouraging Independent Learning and Obtaining Professional Certificates

In today's rapidly evolving society, knowledge updates swiftly. The bank provides certain subsidies for employees to independently obtain professional certificates, covering Chartered Financial Analyst (CFA L3), Financial Risk Manager (FRM), Legal Professional Qualification (A certificate) and Project Management Professional (PMP), etc., to comprehensively improve the team's professional quality and enhance core competitiveness. In 2023, the bank issued a total of 11 times of professional certificate reward subsidies, with a total amount of 57,990 RMB. The number of employees holding professional certificates is increasing year by year.

Year	subsidies for professional certificates（RMB）	Number of personnel
2023	57,990	11
2022	38,000	10
2021	14,000	4

(7) Comprehensive Enhancement of Digital Technology Capabilities

In the face of the wave of financial technology, the bank regularly invites lecturers to conduct courses on digital financial technology, and at the same time, through the e-Learning digital learning platform, comprehensively enhances employees' recognition of financial digital technology, cultivates financial technology talents with innovative spirit and practical ability, and makes technology an accelerator for the bank's business development. In addition to arranging relevant courses in core training, the bank has been promoting the digital capability certification system since December 2023. In 2023, one employee of the bank obtained the RPA certification. In 2023, some of the digital financial technology courses held or participated by the bank are as follows:

Courses	Contents
RPA+GAI Seminar and Workshop	RPA+GAI Tools and Application sharing、RPA practical DEMO.
RPA Self-Learning Tools and Certification Methods Introduction	Exchange and Deepen Learning on RPA and Introduction to Certification Methods.
Learning Business Analysis (BA) from Scratch	Gain an understanding of the definition of BA and learn the framework and principles for writing BA documents.
The 6th Bank Digital Summit	Share and discuss the application of major digital transformation projects, including the Forex E-Print Remittance Tool, batch remittance, collaborative office platform, mobile office, and AI-OCR technology applications.
Policy Briefing and Experience Exchange Session on 'Digital Transformation in Foreign Banks'	Report on the progress and major developments of digital transformation, focusing on the three main axes of paperless, automation, and intelligence, as well as specific implementation details.
Special Lecture on 'Current State and Prospects of Global Digital Banking Development'	Share the achievements and relevant trends in the bank's digital transformation in 2023, and provide an outlook for the development trends in hot technology areas such as big data, digital talent, and open platforms in the banking industry in 2024.

(8) Actively Participating in External Training and Industry Exchanges

The bank actively encourages employees to participate in external training courses and industry exchanges to absorb the latest international financial knowledge, ESG sustainable development concepts, financial technology advancements, and regulatory risk control knowledge. By learning from multiple perspectives, employees gain an understanding of external market dynamics, interact with industry professionals, share experiences, enhance their professional knowledge and skills, and better stimulate their creativity and inspiration.

（9）The Mentorship System between officers

The bank implements a mentorship system, where experienced mentors serve as guides, passing on years of accumulated experience and knowledge to new employees, helping new employees to adapt to the work environment and tasks more quickly and effectively, reducing the initial learning curve, thereby improving new employees' job satisfaction, and helping to strengthen team cohesion, cultivating the leadership potential of mentors.

1.4 Management of Employee Behavior

Always adhering to lawful and compliant operations, strictly observing various regulatory bottom lines, is an important guarantee for the bank's stable development. The bank has established a sound employee behavior management system, regularly reviews and modifies the system to adapt to the development of banking business and the requirements of regulatory authorities. At the same time, the bank regularly conducts regulatory, employee behavior management training and testing to enhance employees' regulatory awareness and risk prevention capabilities. In addition, the bank strengthens internal supervision and management, implements mandatory leave, job rotation, job avoidance, job checking and other related regulations, conducts irregular employee abnormal behavior inspections and office sensitive information spot checks, strictly regulates employee behavior inside and outside of work hours, and has formed a full-process management system for employees before, during, and after employment.

1. Prior to employment, the bank uses third-party background check companies and queries information in China Personal Risk Report Query System, Money Laundering risk information and business running information, past employment history and academic certificates and etc., to verify the background information of prospective employees, ensuring that there are no criminal records and etc.

2. Upon joining, the bank requires new hires to sign the 'Employee Professional Conduct and Behavior Management Rules Acknowledgement', pledging to adhere to the established professional conduct and behavior guidelines, thereby fostering a strong sense of professional ethics and quality, and mitigating the risks associated with operational incidents. Furthermore, by signing the 'Employee Behavior Commitment', individuals consent to personal financial and familial background checks, as well as investigations into any affiliations with external organizations, with a focus on identifying any potential non-compliant activities against regulatory standards and the bank's internal policies.

3.After employment, the bank continuously reinforces compliance awareness among staff through ongoing employee behavior management initiatives, ensuring adherence to conduct standards both within and outside of the workplace.

(1) Training for Employee Behavior Management

The bank regularly conducts training and testing on employee behavior management, including basic requirements for employee integrity, norms for personal and business behavior, requirements for insider trading management, and rules for punishment information management. It emphasizes that employees should adhere to the principle of integrity in business, and should not seek improper benefits or deliver improper benefits to customers, potential customers, regulators, or other related parties in any way.

Training Theme	Date	Number of participants	Passing Rate
"Promoting Integrity and Ensuring Financial Security" Theme Training	Oct.2023	315	100%
Training on Professional Ethics and Conduct Management for Employees	Dec.2023	319	100%

(2) Job Rotation and Mandatory Leave

To effectively prevent incidents, the bank strictly implements the rules of job rotation and mandatory leave for key positions, to strengthen internal control and prevent risks such as job monopoly due to prolonged tenure. In 2023, the completion rate of job rotation and mandatory leave reached 100%.

(3) Investigation of Employee Misconduct

In terms of investigating employee misconduct, the bank gradually strengthens the investigation of employee misconduct through a combination of various investigation methods, enhancing the management of both the general workforce and key personnel.

In December 2023, the bank required all employees to sign the 'Employee Behavior Commitment Letter'. Through personal commitment, the bank reviewed the situations of employees' investment consumption, family members' employment, work performance, and criminal punishment in 2023, and no abnormalities were found. To strengthen the dynamic management of incumbent employees, the bank has checked the information involved in incumbent employees through channels such as the China Executive Information Disclosure Network in 2023, and no abnormalities were found.

The bank regularly conducts investigations on branch managers, business principals and managers, operation principals and managers, financial customer managers, and members of the Financial Market Department, salespersons, and capital clearing members of the Operation Management Department. As of December 31, 2023, the bank has completed inspections of 222 person-time, and no intentional violations by bank employees or bad behaviors in life have been found. In addition, in 2023, the bank commissioned a professional third-party background check company to conduct commercial registration information checks, covering 149 employees, and no violations of concurrent posts by key scope employees were found.

(4) Job Avoidance

In accordance with the relevant regulations such as the "Guiding Opinions on the Avoidance of Employment by Staff of Banking and Insurance Institutions", the bank strictly implements the management of staff's job behavior, implements job avoidance and business avoidance. When recruiting new employees and adjusting or rotating the positions of existing employees, the bank fully evaluates their family situations to confirm whether they have family members working in the bank, to avoid the situation of job avoidance not being implemented. During the execution of business, employees are required to report and request business avoidance if they are involved in interests related to themselves, relatives or other interests. In 2023, the bank did not violate the guiding opinions and requirements on job avoidance.

(5) Situation of Financial Illegal and Criminal Behavior

According to the regulatory requirements and the actual business development, the bank continues to strengthen the management of employee behavior, actively identify abnormal employee behavior, and timely take control and risk mitigation measures. Through the implementation of job avoidance management, effective checks and balances are formed in personnel appointment and business execution, promoting employees to perform their duties fairly and justly, and preventing the occurrence of financial illegal and criminal behavior. In 2023, there was no financial illegal and criminal behavior among the bank's employees, and no external reports were received about our employees' illegal and criminal behavior.

1.5 Human Resources Planning

Talent is the core competitiveness of the bank's development. The human resources unit always pays attention to the development of talents and values the selection, cultivation and retention of talents. The bank adheres to the development concept of people-oriented, values the balance of employees' work and life, provides employees with space and opportunities for sustainable development, continuously improves the talent development environment, and promotes the common development of all employees and the company. To achieve the bank's vision and realize the strategic development of operations, the human resources planning for 2024 is as follows:

1.5.1 Obtain Talents Through Multiple Channels and Steadily Provide Talent for Various Units

In 2024, in addition to continuing to expand external recruitment and internal competition channels, the bank will increase online recruitment platforms and university graduate bases to improve the talent supply chain and promote the business development of various units. While balancing the front and back ends, optimize the personnel structure to assist the bank's steady growth.

1.5.2 Establish A Talent Cultivation System and Strengthen the Construction of the Core Talent Team

Based on the overall requirements for employees in the bank's operational development goals, the bank will provide systematic and targeted training for employees through various forms such as on-the-job training, off-the-job training, and work exchanges to promote multi-dimensional capability improvement of employees. In addition, the bank continues to organize and improve new employee training classes, management capability training classes, ARM/RM training classes, wealth management training classes, TMU training classes and etc.

1.5.3 Construct A Multi-Channel Career Development System

The Bank will formulate career development strategies for different positions, determine the development paths and requirements for employees in different positions, and improve the career development of employees. By 2024, the bank will improve the key talent pool through talent mapping, retain key talents through the establishment of good incentive mechanisms, and gradually cultivate them into managers.

1.5.4 Establish Welfare System of Statutory Benefits and Autonomous Benefits

In 2024, the bank will supplement statutory benefits with commercial group insurance, annual physical examinations, and diverse activities as autonomous benefits. Through the establishment of a multi-dimensional, multi-level welfare protection system, the bank will effectively meet the diversified needs of employees.

1.5.5 Continue to Deepen Employee Behavior Management

To strengthen employee behavior management, the bank will improve various system norms according to the requirements of the supervisory authority and the actual situation of the bank, and organize the development of employee behavior management and compliance education and training. Through regular training and testing, the bank will deepen the understanding and concept of employees' behavior compliance within and outside the eight hours. In 2024, the bank will continue to refine the implementation of employee behavior management measures, improve the execution of employee behavior management through process control, self-inspection, internal accountability and etc.

2. Corporate Social Responsibility

The bank is committed to becoming a world-class corporate citizen. In addition to focusing on its core business, the bank has always strived to fulfill its social responsibilities. Under the guidance of the parent company's social responsibility philosophy of 'one love can lead to more love', the bank integrates social responsibility into its business strategy, invests resources in social welfare, and fulfills its social responsibilities to the fullest.

2.1 Consumer Rights Protection

2.1.1 Organizational Structure of Consumer Rights Protection

To protect customer rights and improve service quality, the bank has established a 'Consumer Rights Protection System', which clearly defines the organizational structure for consumer rights protection. The Board of Directors of the bank is ultimately responsible for consumer rights protection work, approving the bank's strategies, policies, and goals for consumer rights protection work. The Social Responsibility and Consumer Protection Committee is responsible for formulating the bank's strategies, policies, and goals for consumer rights protection work and guiding senior management to implement related work. The senior management is responsible for formulating, regularly reviewing, and supervising the implementation of the bank's consumer rights protection measures, procedures, and specific operating procedures, understanding the status of related work in a timely manner, and ensuring the provision of necessary resources to promote the orderly development of consumer rights protection work. The Compliance Department is responsible for leading, coordinating, and promoting the implementation of consumer rights protection work in all departments and branches of the Bank. Each department of the bank is responsible for the development, improvement, and optimization of products or services related to consumer rights protection work, handling complaints related to the department and the business line, and implementing work related to consumer rights protection. The branch manager should be familiar with and understand the bank's consumer rights protection work policy and content, be responsible for conveying and emphasizing the bank's policy to each department, guide and supervise each department to implement various work requirements for consumer rights protection, and be ultimately responsible for the implementation of consumer rights protection work in the unit. The Audit Department is responsible for supervising the consumer rights protection work and incorporating the internal audit of consumer rights protection work into the annual audit scope.

2.1.2 Consumer Complaint Handling

Service, originating from a warm heart, is the sincerity and passion from within, and also the DNA of E.SUN. Our parent company has taken the lead in bringing the concept of refined service and comprehensive innovation into the financial industry in Taiwan, pioneering the establishment of lobby receptionists and customer service officers, and becoming the bank that has won the most service awards. Good customer service starts with listening to the customer's voice. The bank attaches great importance to every piece of feedback from our customers. In order to protect the legal rights of our customers, the bank has also established the "Complaint Handling Operating Procedures", clearly stating that the Compliance Department is the management department for consumer complaint handling, responsible for the management, guidance, coordination, and supervision of the entire bank's consumer complaint handling work, and promoting various departments and branches to properly handle various types of consumer complaints; we also require that within 3 working days from the date of receiving a consumer complaint or transferring or handing over the complaint, the complainant should be notified of the acceptance status, processing period, person responsible for processing, contact method and etc., through SMS, phone call, email or letter, and keep a record of the notification; except for particularly complex situations or other special reasons that have been approved by the senior management to extend the processing period, complaints should be processed within 15 days.

In 2023, the bank received a total of 3 customer complaints (2 of which were from the same consumer for the same issue), all of which have been properly handled. To strengthen the emergency handling capacity of branch complaints, in December 2023, the bank invited experienced managers to play the role of customers, made phone calls to branch complaints, tested the emergency handling status of the branches, and provided a summary report for all branches to learn from. In the future, the bank will continue to strengthen the protection of consumer rights through education and training and organizing consumer complaint handling drills and etc.

2.1.3 Customer Satisfaction Survey

In order to listen to the voice of our customers, continuously improve customer rights and customer experience, the bank conducted a customer satisfaction survey in the first and second half of 2023, receiving 618 and 707 responses respectively. The survey results show that 98.6% of customers are satisfied or very satisfied with our business environment, service attitude, overall efficiency, and after-sales service. Customers also provided feedback and suggestions on the use of electronic banking, types of wealth products, and service processes. The bank attaches great importance to the opinions and suggestions of our customers and have taken action to optimize the customer experience. In terms of mobile banking, we have gradually improved the functions of mobile banking. In 2023, the bank built a domestic and foreign rights platform in mobile banking; launched functions such as one-click update of APP, automatic withdrawal of deposit products at maturity, and classification of transfer limits, and added support for new types of certificates such as Hong Kong and Taiwan residents' residence certificates and foreign permanent residence certificates for binding third-party payments. In terms of product categories, the bank launched new insurance and large deposit products in 2023 to provide customers with more product choices. In terms of service processes, the bank launched the mobile account opening function in 2023, allowing customers to open accounts without leaving their homes. The bank will continue to integrate internal and external resources according to market trends and customer needs, continuously promote the refinement of mobile banking, product optimization, and process simplification, strive to create value for customers, and become the most loved bank by customers.

Customer satisfaction survey results for the past three years:

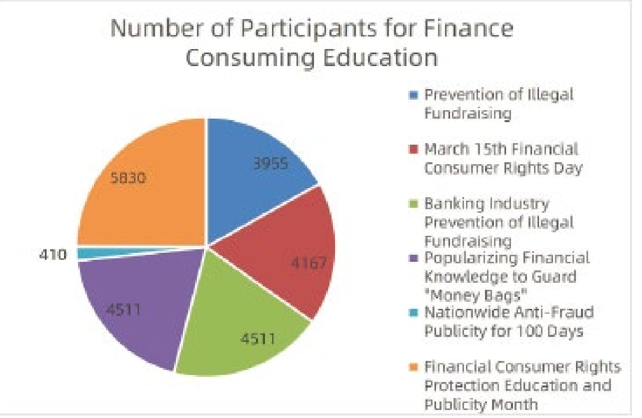
Year	Total number of personnel consumer	Number of surveys	Coverage Rate	Satisfaction
2021	3,665	65	1.77%	97.44%
2022	4,354	349	8.02%	98.66%
2023	5,474	1,325	24.21%	98.60%

2.1.4 Financial Education and Promotion

In order to protect the rights of financial consumers and fulfill corporate social responsibility, the bank actively develops financial promotion activities with rich themes. Through "offline & online" channels such as branches, official websites, WeChat public accounts, electronic banking, etc., and opportunities such as customer participation in seminars, the bank spreads financial knowledge to customers, enhance their financial security awareness, and effectively identify telecommunications fraud, illegal fundraising scams, etc., to protect their own financial security and legally participate in financial activities.

In March 2023, the bank held foreign exchange salons at Guangzhou branch, Shenzhen branch and Dongguan branch, mainly introducing consumers to the analysis of macroeconomic conditions and exchange rate trends, and the topics covered investment, consumption, three carriages and interest rate market outlook, etc. In April 2023, the bank held a Taiwanese businesswoman education upgrade seminar at Shenzhen branch, providing a large number of Taiwanese businesswomen in the Greater Bay Area with reference information for studying and upgrading in mainland China. During the period from May to June 2023, the bank held a series of tax seminars at Dongguan branch, Sales Department of Head Office, and Guangzhou branch, mainly introducing the key contents of the new tax system to help consumers understand tax regulations and operate enterprises legally. In May 2023, the bank held a small public welfare concert at Shenzhen branch, inviting children with a music foundation to participate in a small public welfare music sharing meeting, conveying the inner quality of the bank's professionalism, art, and humanities to consumers.

In order to enhance the public's security awareness and anti-fraud ability, the bank regularly trains relevant personnel such as counter staff and business personnel through internal training or topic sharing, including the work requirements and regulations for preventing telecommunications network fraud, classic cases and case handling methods and etc., to improve the staff's customer identity recognition, telecommunications network fraud prevention and other business levels. In addition, the bank carries out anti-telecommunications network fraud crime publicity activities in all branches, making "anti-fraud for all" deeply rooted in the hearts of the public.



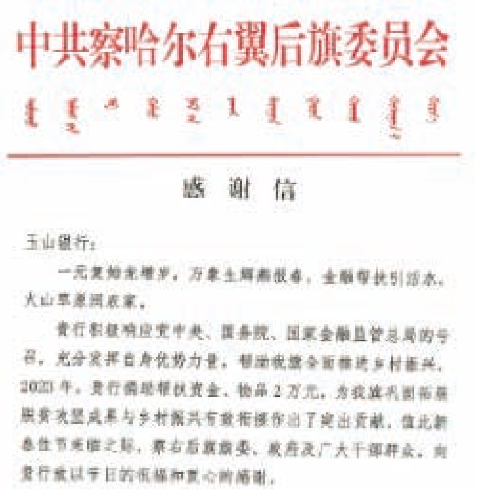
2.2 Public Welfare

The bank believes that if a company wants to operate sustainably, and a country's future is to be filled with competitiveness, then the most important thing must be talent cultivation. The bank has long supported the improvement of educational quality with practical actions. Under the support and guidance of the parent company, in 2019, the bank participated in the project of repairing the outer wall insulation of the school building of Chahar Right Back Banner Benhong School in Ulanqab City, Inner Mongolia, led by China Banking Association. In 2020, the bank donated a batch of sports equipment to the students of the school. After understanding and on-site research with the principal of the school, the bank found that the modern education and teaching equipment of the school was aging, and some computers could not be used normally due to various reasons. The bank has donated computer equipment to the school in 2021 and 2022, completing the replacement of all old teaching computers in the school.

Children represent the hope of a nation, and it is the shared aspiration of every parent, as well as the people of E.SUN, to see them learn with joy and grow up in good health. In 2023, the bank provided financial support for nutritious meal programs at Benhong School in Chahar Right Back Banner, Ulanqab City, Inner Mongolia, enhancing the quality of meals for boarding students. During our annual visits to Benhong School, we engage in financial literacy outreach, stimulating students' interest in financial education through knowledge-based competitions. The interactive sessions are conducted in a warm and encouraging environment, which fosters a passion for learning among the students. Participants in these contests are awarded with thoughtful gifts and are also introduced to fundamental concepts of financial safety and responsible consumption.

In a special initiative for 2023, the curriculum included a module on sustainable development. Seizing this opportunity, the bank brought the principles of sustainability, environmental conservation, and global stewardship to the classroom, aiming to impart a deeper understanding of the philosophy that 'green water and green mountains are indeed worth more than gold and silver.' The engagement was so impactful that students eagerly clustered around the educators after the session, inquiring about our return the following year. Indeed, the bank's commitment to corporate social responsibility is an ongoing journey.

The bank’s sustained dedication to social welfare has garnered recognition from the Education Bureau of Chahar Right Back Banner, Ulanqab City, Inner Mongolia, as well as from China Banking Association.

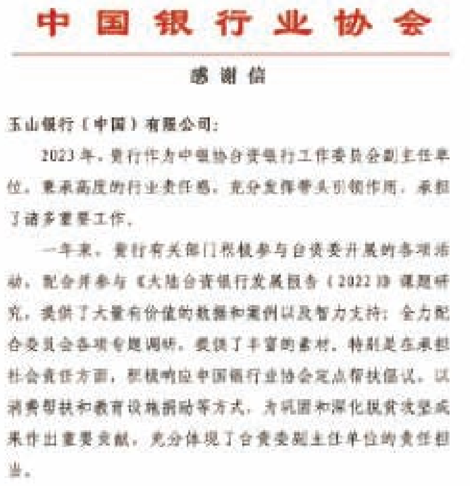

中共察哈尔右翼后旗委员会

感 谢 信

玉山银行：

一元复始龙增岁，万象生辉喜报春，金融帮扶引活水，大山草原润农家。

贵行积极响应党中央、国务院、国家金融监管总局的号召，充分发挥自身优势力量，帮助我旗全面推进乡村振兴。2023年，贵行捐赠帮扶资金、物品2万元，为我旗巩固拓展脱贫攻坚成果与乡村振兴有效衔接作出了突出贡献。值此新春佳节来临之际，察右后旗旗委、政府及广大干部群众，向贵行致以节日的祝福和衷心的感谢。


中 国 银 行 业 协 会

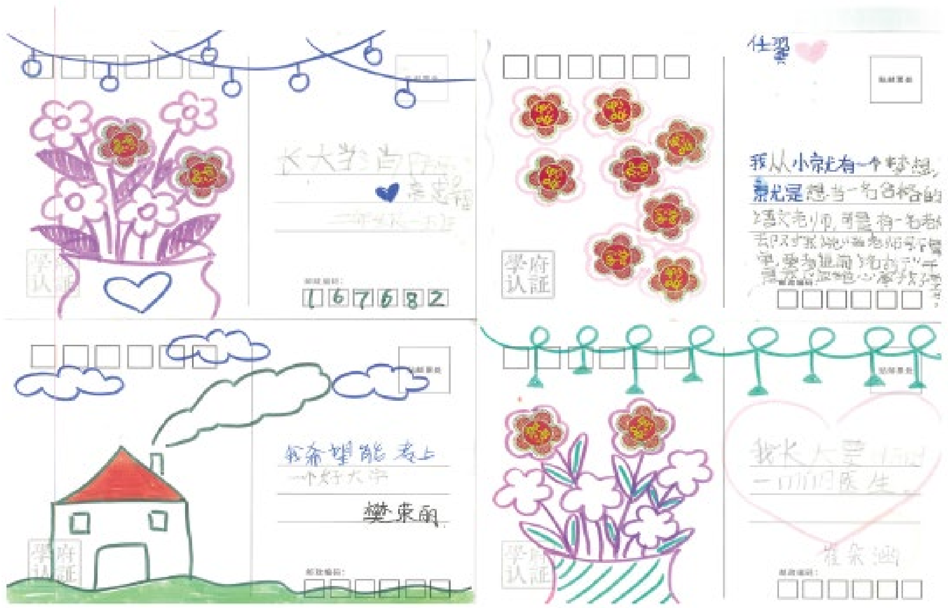
感 谢 信

玉山银行（中国）有限公司：

2023年，贵行作为中银协台资银行工作委员会副主任单位，秉承高度的行业责任感，充分发挥带头引领作用，承担了诸多重要工作。

一年来，贵行有关部门积极参与台资委开展的各项活动，配合并参与《大陆台资银行发展报告（2022）》课题研究，提供了大量有价值的数据和案例以及智力支持；全力配合委员会各项专题调研，提供了丰富的素材，特别是在承担社会责任方面，积极响应中国银行业协会定点帮扶倡议，以消费帮扶和教育设施捐助等方式，为巩固和深化脱贫攻坚成果作出重要贡献，充分体现了台资委副主任单位的责任担当。

Upon reading the aspirations penned by the students within the classroom, we are reminded of society's expectations for corporate sustainability. This reinforces our resolve to honor the bank's social responsibilities. The bank is steadfast in its approach to meet societal expectations through tangible actions.



2.3 Green Operation

In the face of global climate change, no enterprise or individual is unaffected. The bank is dedicated to controlling greenhouse gas emissions to mitigate their impact on the climate and environment. We are committed to implementing a variety of ESG initiatives to advance the United Nations Sustainable Development Goals (SDGs).

2.3.1 Establish Environmental Protection and Energy-Saving Culture and Implement Environmental Protection and Energy-Saving Measures

The bank actively embraces the 'green' philosophy and continues to fulfill its social responsibility by fostering an energy-saving and environmental protection culture. The bank organizes environmental activities, promote waste paper recycling and reuse, participate in Earth Hour, and purchase renewable energy certificates.

(1)Establishing an Energy-Saving and Environmental Protection Culture

The bank's officers select a person to take the lead of environmental affairs annually and employees voluntarily participate in monthly environmental clean-up activities and regularly promote environmental consciousness. During these clean-up days, employees collaborate to maintain the office environment, adhering to the 4R principle of waste management: Reduce, Reuse, Recycle, and Refuse.

To bolster employee engagement and commitment to the energy-saving and environmental culture, the bank organized a stair-climbing event titled 'Green Health Walk, Energy-saving E.SUN Walk' from April 17 to 28, 2023. Fifty-two participants took part, resulting in 638 fewer elevator rides and a reduction of 139.08 kilograms in carbon emissions. In observance of World Cleanup Day in October 2023, the bank organized the annual 'Green Health Walk, Environmental E.SUN Walk' environmental volunteer activity in Qianhai area of Nanshan, Shenzhen. This initiative aimed to reinforce environmental awareness, prioritize ecological issues, and establish a culture of sustainability. The bank also extended invitations to suppliers to join in these environmental activities.

(2)Waste Paper Recycling and Reuse

With a keen focus on the climate and global environment, the bank has proactively organized waste paper collection and destruction events. In 2023, the bank collected over 1.2 tons of waste paper, which was recycled and repurposed. This effort is estimated to have facilitated the production of 960 kilograms of fresh papers, reducing water pollution associated with paper manufacturing and making a significant contribution to environmental conservation. Additionally, waste paper recycling spares 21 large trees from being felled, aiding in the conservation of natural resources, decelerating the rate of deforestation, and safeguarding the ecological environment.

(3)Earth Hour Participation

Since 2016, the bank has actively participated in the global environmental initiative 'Earth Hour' for eight consecutive years. During this event, all our business outlets switch off their signage and exterior lighting. The bank also encourages employee participation through WeChat groups and emails, calling for practical actions in energy conservation and carbon reduction, and contributing to the preservation of our planet.

(4)Purchase of Renewable Energy Certificates in Alignment with Government Energy Policies

Green electricity is generated through the conversion of renewable energy sources, such as wind and solar power, into electrical energy using specialized equipment and advanced technologies. It is characterized by its low carbon footprint and minimal environmental impact. In active cooperation with government energy policies, the bank reviews renewable energy consumption based on the volume of renewable energy certificates purchased and our electricity usage. In June 2023, based on the bank's total electricity consumption for the year 2022, the bank purchased green electricity certificates equivalent to 630,000 kilowatt-hours on the China Green Electricity Certificate Trading Platform, achieving a 100% renewable energy procurement ratio. This action equates to a reduction of 413,595 kilograms of carbon dioxide, 296.10 kilograms of sulfur dioxide, and 270.90 kilograms of nitrogen oxides, demonstrating support for the development of green and renewable energy through tangible measures.

编号:001230200000021240 日期:2023-06-05

绿色电力证书

GREEN ELECTRICITY CERTIFICATE

兹此证明

玉山银行（中国）有限公司

通过中国绿色电力证书自愿认购平台，购买始兴县兴泰新能源发电有限公司广东省始兴县兴泰60MW农光互补光伏发电综合利用项目(项目代码WPC1804440222030)2022年8月生产的绿色电力

630,000 千瓦时

对应环境权益用于玉山银行（中国）有限公司绿色电力消费。

相当于减排二氧化碳 413,595.00 千克，二氧化硫 296.10 千克，氮氧化物 270.90 千克。

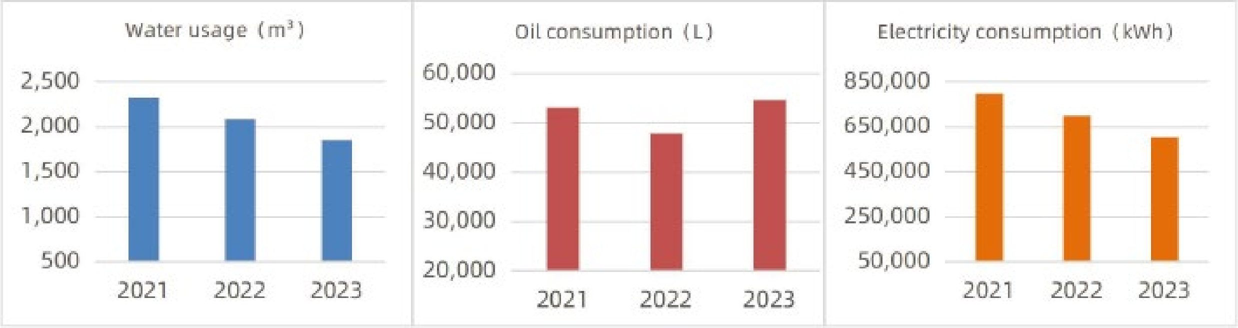
感谢玉山银行（中国）有限公司对中国绿色电力消费作出的贡献！

国家可再生能源信息管理中心

At the same time, the bank places a high priority on selecting energy-efficient and eco-friendly materials or lighting solutions when constructing or renovating its facilities. The bank is progressively replacing energy-intensive equipment with energy-saving alternatives, specifically by upgrading outdated, energy-consuming lighting systems to more efficient products. These measures are designed to conserve energy and reduce emissions at the source.

The bank also advocates for green office practices and has developed integrated office systems to facilitate their adoption. The bank has achieved a fully electronic workflow for official documentation, which not only minimizes paper usage but also enhances the efficiency and quality of document processing. Furthermore, the bank encourages the use of online meetings, electronic distribution of meeting materials and notices, and promotes digital reading and sharing. These practices help to reduce the utilization and printing costs associated with paper documents, leading to decreased expenditures on office consumables and, subsequently, lower operational costs for the organization, aligning with the principles of green operations and environmental conservation.

In 2023, the bank's consumption of water, electricity, and oil was recorded at 1,849.75 cubic meters, 603,858.18 kilowatt-hours, and 54,685.37 liters, respectively. Compared to the previous year, there was a decrease of 11.7% in water usage and 13.51% in electricity consumption, while oil consumption saw an increase of 14.15%. The bank remains committed to promoting energy conservation and carbon reduction initiatives across all operations. The bank is dedicated to the pursuit of green development and will continue our efforts to enhance the efficiency of energy resource utilization. This commitment propels the bank towards the goals of green operations and sustainable development.



The bank remains committed to reducing paperwork, conserving resources, and enhancing operational efficiency through technological innovation. In 2023, the bank successfully implemented electronic account opening for customers. By leveraging AI-OCR (Artificial Intelligence - Optical Character Recognition) and RPA (Robotic Process Automation) technologies, the bank has significantly improved the efficiency of the account opening process. These advancements have also led to a reduction in manual tasks, such as customer form completion and employee data

entry, thereby increasing the volume of electronic transactions.

Furthermore, the bank plans to integrate HR attendance systems and official document management into the Office Automation (OA) platform in 2023. This consolidation will streamline our operations and contribute to a reduction in overall operating costs.

2.4 Green Finance

In 2023, the bank bolstered its commitment to sustainable finance by introducing key internal regulations, including the "Green Finance Management System," "Green Loan Business Management Measures," and "Green Bond Business Management Measures." These additions to our regulatory framework are designed to reinforce our operational sustainability. The bank has incrementally enhanced our policies to support green initiatives, thereby continuously fostering the growth of green lending and bond issuance services. Through these measures, the bank aims to ramp up support for sectors that are integral to the green economy, low-carbon economy, and circular economy, aligning with environmental and social responsibilities.

Year / Item	Number of Cases			Balance（Unit：RMB Ten Thousand）		
	2023	2022	Growth	2023	2022	Growth
ESG-Linked Loans	20	8	+12	66,061	34,154	+31,907
Green Loans	20	11	+9	24,102	15,784	+8,318
— PV	8	—	+8	8,398	—	+8,398

2.5 SME Finance

2.5.1 SME Finance：

SME Loan Customer Count			Balance（Unit：RMB Ten Thousand）		
2023	2022	Growth	2023	2022	Growth
20	16	+4	9,486	5,519	+3,967

2.5.2 Fee Reduction and Benefit Sharing：

Number of SMEs and Individual Businesses Benefited			Total Amount（Unit：RMB Ten Thousand）		
2023	2022	Growth	2023	2022	Growth
1,147	801	+346	21	9	+11

2.6 Community Relations

November 9, 2023, marked the 32nd National Fire Prevention Day. To effectively enhance the safety and fire prevention awareness, as well as the self-rescue capabilities of our employees, the bank, in collaboration with the property management of our office building, comprehensively conducted fire safety awareness and educational activities under the theme "Prevention First, Safety Foremost."

The program began with an examination of office fire disasters, utilizing a multi-faceted approach that included textual explanations, video presentations, and hands-on equipment demonstrations. Training and publicity covered various aspects such as fire alarms, evacuation protocols, fire prevention strategies, the operation of fire safety equipment, the use of AEDs (Automated External Defibrillators), a fire safety knowledge quiz, interactive experiences, and more. These initiatives aim to further bolster our employees' knowledge and skills in self-rescue and mutual assistance during emergencies, as well as their ability to respond effectively to urgent situations.

In addition, a fire safety knowledge quiz was launched on our e-Learning platform, achieving a perfect pass rate of 100%.

This fire safety education and training program is centered around the theme "Prevention First, Safety Foremost," promoting a culture of fire safety awareness, the elimination of hazards, and the prevention of disasters. It emphasizes the importance of safety in production and encourages the learning of various fire prevention skills to collectively create a secure work environment.

Explanation and Demonstration of Fire Extinguisher Usage:

2.7 Workplace Environment

The Board of Directors includes two female directors, and there are also three female executives in the senior management of the head office and branches. In the future, the bank will continue to increase the participation of women in decision-making according to the principle of diversity. At the same time, the bank continues to optimize our office environment. By 2023, the bank has realized online management of various office matters such as mobile attendance and official documents, in response to environmental protection and energy saving.

In order to create a diverse and friendly workplace, the bank adjusted the dress code for all employees in 2023. In addition to formal attire, the bank allows employees to wear E.SUN POLO shirts during office hours, aiming to make employees more relaxed and increase the convenience of work. In addition, the bank continues to care for and consider our female employees, setting up simple breastfeeding rooms in the head office and Dongguan branch, equipped with special refrigerators for breast milk, hand sanitizer, etc., for breastfeeding employees to use. At the same time, in accordance with the implementation of the "Guangdong Province Population and Family Planning Regulations" and related government policies, the bank has added maternity leave and nursing leave.

VII.Financial Accounting Report

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

De Shi Bao (Shen) Zi (24) No. P00830

TO THE BOARD OF DIRECTORS OF E. SUN BANK (CHINA) CO., LTD.

I. Opinion

We have audited the financial statements of E. SUN Bank (China) Co., Ltd. (the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the Bank's financial position as at 31 December 2023, and the Bank's results of operations and cash flows for the year then ended.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

IV. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by China Standards on Auditing to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

8 March 2024

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

STATEMENT OF FINANCIAL POSITON
AT 31 DECEMBER 2023
(In Renminbi, unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS:			
Cash and balances with central bank	VII.1	1,250,217,727.85	1,469,341,877.84
Balances with banks	VII.2	375,099,039.51	276,458,535.01
Placements with banks and other financial institutions	VII.3	957,158,772.67	1,518,309,881.66
Derivative financial assets	X.1.4	122,715,885.92	74,158,364.46
Loans and advances to customers	VII.4	8,148,837,524.86	8,300,238,399.72
Financial investments:			
Financial investments at fair value through profit or loss("FVTPL")	VII.5	40,390,060.93	-
Financial investments at amortised cost	VII.6	414,903,467.06	743,931,128.48
Financial investments at fair value through other comprehensive income("TVTOCI")	VII.7	5,996,580,987.44	4,349,690,256.63
Investment properties	VII.8	328,848,479.92	339,964,484.92
Property and equipment	VII.9	250,957,425.43	255,736,981.56
Right-of-use assets	VII.10	74,634,950.64	80,898,389.32
Intangible assets	VII.11	30,912,383.11	19,436,769.70
Deferred tax assets	VII.12	20,915,996.87	29,165,248.50
Other assets	VII.13	193,397,184.93	48,614,841.07
TOTAL ASSETS		18,205,569,887.14	17,505,945,158.87

STATEMENT OF FINANCIAL POSITION - continued
AT 31 DECEMBER 2023
(In Renminbi, unless otherwise stated)

	Note	31 December 2023	31 December 2022
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Deposits from banks and other financial institutions	VII.15	53,298,356.87	285,745,754.89
Placements from banks and other financial institutions	VII.16	2,476,230,617.58	3,032,943,620.13
Derivative financial liabilities	X.1.4	139,437,264.32	106,235,337.17
Financial assets sold under repurchase agreements	VII.17	1,401,555,917.82	1,412,220,465.77
Deposits from customers	VII.18	11,668,749,440.55	10,258,546,172.45
Employee benefits payable	VII.19	18,852,168.02	19,619,421.69
Tax payable	VII.20	8,420,219.95	8,618,035.16
Debt securities issued	VII.21	59,934,924.89	99,905,373.50
Lease liabilities	VII.22	82,833,515.04	87,164,797.07
Other liabilities	VII.23	43,149,937.84	32,736,797.28
TOTAL LIABILITIES		15,952,462,362.88	15,343,735,775.11
EQUITY:			
Paid-in capital	VII.24	2,000,000,000.00	2,000,000,000.00
Capital reserve	VII.25	96,015,371.35	96,015,371.35
Other comprehensive income	VII.26	18,769,556.55	(2,679,050.42)
Surplus reserve	VII.27	13,832,259.64	6,887,306.28
General reserve	VII.28	124,490,336.72	61,985,756.55
Retained profits/(Accumulated losses)	VII.29	-	-
TOTAL EQUITY		2,253,107,524.26	2,162,209,383.76
TOTAL LIABILITIES AND EQUITY		18,205,569,887.14	17,505,945,158.87

The accompanying notes form part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Renminbi, unless otherwise stated)

	Note	2023	2022
I. Total operating income		339,324,273.55	345,359,274.91
Net interest income	VII.30	179,846,356.15	232,930,424.03
Interest income		590,258,438.09	481,503,651.31
Interest expenses		410,412,081.94	248,573,227.28
Net fee and commission income	VII.31	19,134,095.98	16,721,271.67
Fee and commission income		23,001,986.47	19,530,922.58
Fee and commission expenses		3,867,890.49	2,809,650.91
Investment income	VII.32	99,843,656.66	60,044,765.68
Other income		725,524.82	4,978,283.88
Gains on fair value changes	VII.33	18,513,669.43	13,617,436.39
Foreign exchange gains		13,749,121.65	10,165,082.20
Other operating income	VII.34	7,511,848.86	6,902,011.06
II. Total operating expenses		246,131,900.69	254,984,490.00
Tax and surcharges	VII.35	9,853,453.52	7,463,556.50
Operating and administrative expenses	VII.36	220,407,906.35	212,743,876.07
Credit impairment losses	VII.37	4,754,535.82	23,661,052.43
Other operating costs	VII.34	11,116,005.00	11,116,005.00
III. Operating profit		93,192,372.86	90,374,784.91
Add: Non-operating income		530,233.70	500,069.92
Less: Non-operating expenses		391,619.95	115,815.76
IV. Total profit		93,330,986.61	90,759,039.07
Less: Income tax expenses	VII.38	23,881,453.08	21,411,223.80
V. Net profit		69,449,533.53	69,347,815.27
VI. Other comprehensive income, net of tax	VII.26	21,448,606.97	(27,730,268.44)
Other comprehensive income that will be reclassified to profit or loss			
1. Changes in fair values of financial assets at FVTOCI		21,865,244.66	(27,822,606.99)
2. Allowance for credit losses of financial assets at FVTOCI		(416,637.69)	92,338.55
VII. Total comprehensive income		90,898,140.50	41,617,546.83

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Renminbi, unless otherwise stated)

	Note	2023	2022
I. Cash Flows from Operating Activities			
Net decrease in loans and advances to customers		141,240,442.80	-
Net increase in deposits from banks and other financial institutions		-	122,558,970.17
Net increase in deposits from customers		1,398,226,122.15	1,675,495,294.15
Net increase in deposits with the central bank		20,358,078.26	53,234,493.60
Net decrease in placements with banks and other financial institutions		8,933,600.00	97,314,853.08
Net increase in financial assets sold under repurchase agreements		-	472,000,000.00
Cash receipts from interest, fees and commissions		450,330,856.93	380,018,097.94
Other cash receipts relating to operating activities		-	1,636,832.89
Sub-total of cash inflows from operating activities		2,019,089,100.14	2,802,258,541.83
Net increase in loans and advances to customers		-	1,199,739,100.42
Net decrease in balances with banks		-	55,904,405.90
Net increase in deposits from banks and other financial institutions		232,390,193.87	-
Net decrease in placements from banks and other financial institutions		561,794,040.00	304,738,240.00
Net decrease in financial assets sold under repurchase agreements		10,000,000.00	-
Cash payments for interest, fees and commissions		394,570,017.35	708,459,105.21
Cash payments to and on behalf of employees		122,412,444.83	113,105,718.22
Payments of various types of taxes		71,130,476.81	58,398,889.05
Other cash payments relating to operating activities		162,594,729.77	45,556,603.92
Sub-total of cash outflows from operating activities		1,554,891,902.63	2,485,902,062.72
Net Cash Flow from Operating Activities	VII.40	464,197,197.51	316,356,479.11
II. Cash Flows from Investing Activities			
Cash receipts from disposals and recovery of investments		23,136,923,397.41	9,406,746,030.51
Cash receipts from investment income		182,549,392.20	125,241,066.19
Net cash receipts from disposals of property and equipment, intangible assets and other long-term		130,524.61	138,568.74

assets			
Sub-total of cash inflows from investing activities		23,319,603,314.22	9,532,125,665.44
Cash payments to acquire investments		24,344,087,388.66	9,734,612,443.90
Cash payments to acquire or construct property and equipment, intangible assets and other long-term assets		41,279,862.77	13,694,461.42
Sub-total of cash outflows from investing activities		24,385,367,251.43	9,748,306,905.32
Net Cash Flow from Investing Activities		(1,065,763,937.21)	(216,181,239.88)
III. Cash Flows from Financing Activities			
Cash receipts from issuance of interbank certificate of deposits		109,205,950.00	99,774,500.00
Sub-total of cash inflows from financing activities		109,205,950.00	99,774,500.00
Cash repayments of lease liabilities		24,469,814.90	27,052,967.55
Cash repayments for interbank certificate of deposits		150,000,000.00	-
Sub-total of cash outflows from financing activities		174,469,814.90	27,052,967.55
Net Cash Flow from Financing Activities		(65,263,864.90)	72,721,532.45
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		6,547,110.37	45,769,893.07
V. Net (Decrease)/Increase in Cash and Cash Equivalents		(660,283,494.23)	218,666,664.75
Add: Opening balance of cash and cash equivalents	VII.39	1,697,529,605.93	1,478,862,941.18
VI. Closing Balance of Cash and Cash Equivalents	VII.39	1,037,246,111.70	1,697,529,605.93

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
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	Note	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained profits/ (Accumulated losses)	Total owners' equity
I. Balance at 31 December 2022		2,000,000,000.00	96,015,371.35	(2,679,050.42)	6,887,306.28	61,985,756.55	-	2,162,209,383.76
II. Balance at 1 January 2023		2,000,000,000.00	96,015,371.35	(2,679,050.42)	6,887,306.28	61,985,756.55	-	2,162,209,383.76
III. Changes for the year								
(I) Total comprehensive income		-	-	21,448,606.97	-	-	69,449,533.53	90,898,140.50
1. Net profit		-	-	-	-	-	69,449,533.53	69,449,533.53
2. Other comprehensive income	VII.26	-	-	21,448,606.97	-	-	-	21,448,606.97
(II) Profit distribution		-	-	-	6,944,953.36	62,504,580.17	(69,449,533.53)	-
1. Transfer to surplus reserve		-	-	-	6,944,953.36	-	(6,944,953.36)	-
2. Transfer to general reserve		-	-	-	-	62,504,580.17	(62,504,580.17)	-
IV. Balance at 31 December 2023		2,000,000,000.00	96,015,371.35	18,769,556.55	13,832,259.64	124,490,336.72	-	2,253,107,524.26

	Note	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained profits/ (Accumulated losses)	Total owners' equity
I. Balance at 31 December 2021		2,000,000,000.00	96,015,371.35	25,051,218.02	-	-	(474,752.44)	2,120,591,836.93
II. Balance at 1 January 2022		2,000,000,000.00	96,015,371.35	25,051,218.02	-	-	(474,752.44)	2,120,591,836.93
III. Changes for the year								
(I) Total comprehensive income		-	-	(27,730,268.44)	-	-	69,347,815.27	41,617,546.83
1. Net profit		-	-	-	-	-	69,347,815.27	69,347,815.27
2. Other comprehensive income	VII.26	-	-	(27,730,268.44)	-	-	-	(27,730,268.44)
(II) Profit distribution		-	-	-	6,887,306.28	61,985,756.55	(68,873,062.83)	-
1. Transfer to surplus reserve		-	-	-	6,887,306.28	-	(6,887,306.28)	-
2. Transfer to general reserve		-	-	-	-	61,985,756.55	(61,985,756.55)	-
IV. Balance at 31 December 2022		2,000,000,000.00	96,015,371.35	(2,679,050.42)	6,887,306.28	61,985,756.55	-	2,162,209,383.76

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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I. BASIC INFORMATION

E. SUN Bank (China) Co., Ltd.(the "Bank") is a wholly foreign-owned bank established by E. Sun Commercial Bank, Ltd.("the parent company") in Shenzhen, Guangdong Province, with the approval of China Banking Regulatory Commission ("CBRC") in accordance with the Regulation of the People's Republic of China on the Administration of Foreign-Funded Banks and the Measures of the China Banking Regulatory Commission for the Administrative Licensing Items concerning Foreign-Funded Banks.

The Bank holds a financial license issued by the CBRC Shenzhen Bureau with institution code B0859H244030001 and the unified social credit code, No. 9144030035989758XX. The Bank's operating period is from 13 January 2016 to perpetual operation. The Bank's registered capital is RMB 2,000,000,000.00, and the details of capital contributions from investors are set out in Note VII. 24

22 January 2016 was the business switching day between the Bank and the former E.SUN Commercial Bank, Ltd. Dongguan Branch ("Dongguan Branch"). Starting from 22 January 2016 (the "Business Switching Day"), the Bank has proceeded to engage in all of the business, debts, liabilities and taxes approved for operation by the the former E.SUN Commercial Bank, Ltd. Dongguan Branch in accordance with relevant laws and regulations of the People's Republic of China.

The business scope of the Bank includes: operating all foreign exchange and RMB businesses, including taking deposits from customers; issuing short-term, medium-term, and long-term loans to customers; handling acceptance and discount of notes; agency service for issuance and payment of government bonds, underwriting of government bonds; buying and selling government bonds, financial bonds, and other foreign currency securities other than stocks; providing letter of credit services and guarantees; handling settlement of both domestic and overseas accounts; buying and selling and agency service for buying and selling foreign currencies; agency service for collection and payment and agency service for insurances; engaging in interbank borrowing; engaging in bank card business; providing safe deposit box services; providing credit investigation and consulting services; and other businesses approved by the banking regulatory authority of the State Council.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern

The Bank assessed its ability to continue as a going concern for the 12 months from 31 December 2023 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("ASBE")

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's financial position as at 31 December 2023, and the results of operations and cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined in accordance with the Accounting Standards for Business Enterprises.

1. Accounting period

The Bank has adopted the calendar year as its accounting period, i.e., from 1 January to 31 December.

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2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank operates. Therefore, the Bank chooses RMB as its functional currency. The Bank adopts RMB to prepare its financial statements.

3. Basis of accounting and principle of measurement

The Bank has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Bank adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, impairment allowances are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are measured at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are measured at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that fair value is directly observable or estimated using valuation technique. Fair values for measurement and/or disclosure purposes in these financial statements are determined on such a basis.

For financial assets of which the transaction price is used as the fair value at initial recognition and for which a valuation technique involving unobservable inputs is used in the subsequent measurement of fair value, the valuation technique is corrected during the valuation process so that the initial recognition result determined by the valuation technique is equal to the transaction price.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

4. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Bank's short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Bank recognises assets acquired and liabilities assumed on a trade date basis, or derecognises the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. Upon initial recognition of accounts receivable that does not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year under the Accounting Standards for Business Enterprises No. 14 - Revenue ("Revenue

Standards"), the Bank adopts the transaction price as defined in the Revenue Standards for initial measurement.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting periods. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When determining the effective interest rate, the Bank estimates future cash flows by considering all contractual terms of the financial asset or financial liability including repayment in advance, extension, call option, or other similar options, etc., without considering the expected credit losses).

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

5.1 Classification, recognition and measurement of financial assets

After initial recognition, the Bank's financial assets of various types are subsequently measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"), respectively.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Bank classifies such financial asset as financial assets measured at amortised cost, which include deposits with the central bank, balances with banks, placements with banks and other financial institutions, loans and advances to customers measured at amortised cost and financial investments at amortised cost.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, the Bank classifies such financial asset as financial assets at FVTOCI, which include loans and advances at FVTOCI and other financial investments at amortised cost.

A financial asset is classified as held-for-trading if any of the following criteria is satisfied:

- It has been acquired principally for the purpose of selling it in near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and there is objective evidence that the Bank has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL:

- Financial assets not satisfying the criteria of classification as financial assets at amortised cost and financial assets at fair value through other comprehensive income ("FVTOCI") are classified as financial assets at FVTPL.
- Upon initial recognition, the Bank may irrevocably designate the financial assets as at FVTPL if doing so eliminates or significantly reduces accounting mismatch.

Financial assets at FVTPL other than derivative financial assets are presented as financial assets held-for-trading.

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5.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest method. Any gains or losses arising from impairment or derecognition are included in profit or loss.

For financial assets at amortised cost, the Bank recognises interest income using effective interest method. The Bank calculates and determines interest income through gross carrying amount of financial assets multiplying effective interest rate, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Bank calculates and determines its interest income based on amortised cost of the financial asset and the effective interest rate through credit adjustment since initial recognition.
- For purchased or originated financial assets that were not credit-impaired but have become credit-impaired in subsequent period, the Bank calculates and determines the interest income by applying the effective interest rate to the amortised cost of the financial assets in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Bank will calculate and determine the interest income by applying effective interest rate to the gross carrying amount of the financial assets.

5.1.2 Financial assets at FVTOCI

For financial assets classified as at FVTOCI, except for the impairment losses or gains, the interest income and foreign exchange rate gains or losses calculated using the effective interest method which are included in profit or loss for the period, the fair value changes are included in other comprehensive income. The amounts included in profit or loss for each period are equivalent to that as if it has been always measured at amortised cost. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to profit or loss for the period.

5.1.3 Financial assets at fair value through profit or loss

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses on fair value changes and related dividends and interest income included in profit or loss for the period.

5.2 Impairment of financial assets

For financial assets measured at amortised cost and at fair value through other comprehensive income, loan commitments and financial guarantee contracts, the Bank accounts for the impairment and recognises the loss allowance on the basis of expected credit loss ("ECL").

For the above financial instruments (other than purchased or originated credit-impaired financial assets), the Bank assesses the changes of credit risk since initial recognition of relevant financial instruments at each balance sheet date. If the credit risk has increased significantly since initial recognition of the financial instruments, the Bank recognises the loss allowance at an amount equivalent to lifetime ECL; if the credit risk has not increased significantly since initial recognition of the financial instruments, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL. The increase or reversal of allowance for credit losses on financial assets other than those classified as at FVTOCI is recognised as an impairment loss or gain and included in profit or loss for the period. For financial assets classified as at FVTOCI, the credit loss allowance is recognised in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the financial assets in the balance sheet.

Where the Bank has measured the loss allowance at an amount equivalent to lifetime ECL of a financial instrument in prior accounting period, but the financial instrument no longer satisfies the criteria of significant increase in credit risk since

initial recognition at the current balance sheet date, the Bank measures the loss allowance of the financial instrument at an amount equivalent to 12-month ECL at the current balance sheet date, with any resulting reversal of loss allowance recognised as impairment gains in profit or loss for the period.

5.2.1 Significant increase in credit risk

The Bank uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition. For loan commitments and financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

The following information is taken into account when assessing whether the credit risk has increased significantly:

(1) The overdue days of credit assets for credit customers.
(2) Actual repayment of credit customers.
(3) Credit report results of the People's Bank of China for credit customers.
(4) Information on bad credit, debt negotiation and restructuring announced by other financial institutions.

5.2.2 Credit-impaired financial assets

When an event or several events that are expected to have adverse impact on the future cash flows of the financial assets have occurred, the financial assets become credit-impaired. The evidence of credit impairment of financial assets includes the following observable information:

(1) Significant financial difficulty of the issuer or debtor;

(2) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
(3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
(4) It is probable that the debtor will enter bankruptcy or other financial reorganisations;
(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
(6) Purchase or origination of a financial asset at a significant discount that reflects the fact of credit loss.

Irrespective of the outcome of the above assessment, the Bank presumes that an event of default on the financial instrument has occurred if the contractual payment of the financial instrument has been more than 90 days (inclusive) past due.

5.2.3 Determination of ECL

The financial instruments are grouped based on common risk characteristics. The model is grouped based on shared risk characteristics, and the primary grouping reference indicators include type of financial instrument, scale of enterprise and type of collateral. The model is regularly reviewed to check whether the calculation results are consistent with the actual circumstances, and relevant parameters are adjusted and corrected to optimise its calculations.

The Bank determines the ECL of relevant financial instruments using the following method:

- For financial assets, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Bank and the cash flows expected to be received by the Bank.
- For unused loan commitments, credit losses are the present value of the difference between the contractual cash flows receivable by the Bank and the

cash flows expected to be received if the holder of the loan commitment uses the corresponding loans. The Bank's estimate of ECL on loan commitments is consistent with its expectation of the use of such loan commitments.
- For financial guarantee contracts, credit losses are the present value of the difference between the expected payment to be made by the Bank to the contract holder for the credit losses incurred, and the amount the Bank expects to receive from the contract holder, the debtor or any other parties.
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance date, credit loss is difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The factors reflected by the Bank's measurement of ECL of financial instruments include: unbiased probability weighted average amount recognised by assessing a series of possible results; time value of money; reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

5.2.4 Write-down of financial assets

When the Bank will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Bank will directly write down the gross carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

5.3 Transfer of financial assets

The Bank derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Bank neither transfers nor

retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.
If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Bank's retained rights (if the Bank retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Bank (if the Bank assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at FVTPL.
- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Bank's retained rights (if the Bank retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Bank (if the Bank assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair value of those parts at the date of transfer. The difference

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between (1) the carrying amount allocated to the part derecognised on the date of derecognition; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Bank continues to recognise the transferred financial asset in its entirety. The consideration received from transfer of the financial assets is recognised as a liability upon receipt.

5.4 Classification of financial liabilities and equity instruments

Financial instruments issued by the Bank or their components are classified into financial liabilities or equity instruments on initial recognition on the basis of not only the legal form but also the contractual terms and their economic substance, together with the definition of financial liability and equity instrument.

5.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

5.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL include held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated as at FVTPL. Except for derivative financial liabilities which are presented separately, financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

A financial liability is classified as held-for-trading if any of the following criteria is satisfied:
- It has been incurred principally for the purpose of repurchasing it in the near term.

- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces accounting mismatch; (2) the Bank makes management and performance evaluation on a fair value basis for a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities, in accordance with the Bank's formally documented risk management or investment strategy, and reports to key management personnel on that basis; (3) the qualified hybrid contract that contains embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognised in profit or loss for the period.

For a financial liability designated as at FVTPL, the amount of changes in the fair value of the financial liability that are attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, while other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such financial liability, the accumulated amount of changes in fair value that are attributable to changes in the credit risk of that liability, which was recognised in other comprehensive income, is transferred to retained earnings. Any dividend or interest expense on the financial liabilities is recognised in profit or loss. If the accounting treatment for the impact of the change in credit risk of such financial liability in the above ways would create or enlarge an accounting mismatch in profit or loss, the Bank shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss for the period.

5.4.1.2 Other financial liabilities

Except for financial liabilities, financial guarantee contracts and loan commitments arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, other financial liabilities are subsequently measured at amortised cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

5.4.1.2.1 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial liabilities that are not designated as at FVTPL or financial guarantee contracts of the financial liabilities arising from the transfer of financial assets that does not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, and loan commitments at an interest rate below the market rate not for financial liabilities at FVTPL are measured at the higher of: (1) amount of loss allowance; and (2) the amount initially recognised less cumulative amortisation amount determined according to relevant regulations in revenue standards.

5.4.2 Derecognition of financial liabilities

The Bank derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Bank (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Bank derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

5.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Bank are recognised as changes of equity. Change of fair value of equity instruments is not recognised by the Bank. Transaction costs related to equity transactions are deducted from equity.

The Bank treats allocations to equity instrument holders as profit distribution and the distributed dividends do not affect the total amount of owners' equity.

5.5 Derivatives and embedded derivatives

Derivatives include interest rate swaps, forward exchange contracts, foreign exchange swaps and foreign exchange options, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

Derivatives embedded in hybrid contracts with a financial asset host are not separated by the Bank. The hybrid contract shall apply to the relevant accounting standards regarding the classification of financial assets as a whole.

Derivatives embedded in hybrid contracts with hosts that are not financial assets are separated and treated as separate derivatives by the Bank when they meet the following conditions:

(1) The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

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(2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
(3) The hybrid contracts are not measured at FVTPL.

For the embedded derivative separated from the host contracts, the Bank accounts for the host contracts in the hybrid contracts with applicable accounting standards. When the embedded derivatives whose fair value cannot be measured reliably by the Bank according to the terms and conditions of the embedded derivatives, the fair value of such derivatives are measured at the difference between the fair value of the hybrid contracts and the fair value of the host contracts. By adopting the above method, if the embedded derivative cannot be measured on a stand-alone basis at the time when it is acquired or at subsequent balance sheet dates, the hybrid instrument is designated as financial instruments at FVTPL as a whole.

5.6 Offsetting financial assets and financial liabilities

Where the Bank has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

1. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes buildings that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Bank and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Bank uses the cost model for subsequent measurement of investment property, and adopts a depreciation policy for the investment property which is consistent with that for buildings.

When an investment property is sold, or retired from its use and economic benefits are not expected to be recovered from disposal, the investment property should be de-recognised.

When an investment property is sold, transferred, retired or damaged, the Bank recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

2. Property and equipment

Property and equipment are tangible assets that are held for use in the supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. Property and equipment are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Bank and the subsequent expenditures can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.
A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful lives, estimated net residual value and annual depreciation rate of each category of property and equipment are as follows:

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Category	Useful life	Estimated net residual value rate	Annual depreciation rate
Buildings	36 years	0%	2.78%
Electronic equipment	3-8 years	0%-17%	10.38%-33.33%
Machinery and equipment	5-10 years	0%-17%	8.3%-20.00%
Office furniture	5-11 years	0%-17%	7.55%-20.00%
Others	10 years	0%	10.00%

Estimated net residual value of a fixed asset is the estimated amount that the Bank would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Bank reviews the useful life and the estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

3. Intangible assets

The intangible assets of the Bank include software and systems.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Bank reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

4. Prepayment for leasehold improvement and other miscellaneous items

Prepayment for leasehold improvement and other miscellaneous items represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Prepayment for leasehold improvement and other miscellaneous items are amortised using the straight-line method over the expected periods in which benefits are derived.

5. Impairment of non-financial assets

The Bank assesses at each balance sheet date whether there is any indication that the investment properties, property and equipment, right-of-use assets, and intangible assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets.

Recoverable amount is estimated on an individual asset basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, an allowance for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss of the above-mentioned assets is recognised, it will not be reversed in any subsequent period.

6. Employee benefits

In an accounting period in which an employee has rendered service to the Bank, the Bank recognises the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits incurred by the Bank are charged to profit or loss or to the cost of related assets based on the actual amount incurred when incurred. Employee benefits in non-monetary assets are measured at fair value.

Payment made by the Bank of social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as employee education costs provided in accordance with relevant requirements, in the accounting period in which employees provide services, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the current period or the costs of relevant assets.

In an accounting period in which an employee has rendered service to the Bank, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability by the Bank and charged to profit or loss in the period, or included in cost of related assets.

A liability for a termination benefit is recognised in profit or loss at the earlier of when the Bank cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognises any related restructuring costs.

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to related requirements of defined contribution plans.

7. Revenue recognition

12.1 Interest income and expenses

Interest income and expenses are calculated using the effective interest method based on the amortised cost of relevant financial assets and financial liabilities, and are recognised in profit or loss for the period. If the actual interest rate does not vary significantly from the contract interest rate, the contract interest rate may also be applied.

12.2 Fee and commission income

The Bank recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligations, the Bank allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

When another party is involved in providing goods or services to a customer, the Bank determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Bank is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Bank is an agent).

The Bank is a principal if it controls the specified service before that service is transferred to a customer. The Bank is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Bank does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Bank

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acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

12.3 Income from operating lease

The amount of rental receivables as agreed in the contract or agreement is recognised as operating income on a straight-line basis over each period of the lease.

8. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Bank at no consideration. A government grant is recognised only when the Bank can comply with the conditions attaching to the grant and the Bank will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses and losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Bank's daily activities is recognised in other income based on the nature of economic activities. A government grant not related to the Bank's daily activities is recognised in non-operating income.

9. Income tax

The income tax expenses include current income tax and deferred income tax.

14.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

14.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly

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recognised in other comprehensive income or in owners' equity, in which case they are recognised in other comprehensive income or in owners' equity.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

14.3 Income tax offsetting

When the Bank has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Bank has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

10. Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items classified as at FVTOCI are recognised as other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

11. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

The Bank assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

16.1 The Bank as a lessee

16.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Bank will separate the individual lease and non-lease components and allocate contract

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consideration according to the relative proportion of the sum of the stand-alone prices of the lease components and the stand-alone prices of the non-lease components.

16.1.2 Right-of-use assets

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Bank recognises a right-of-use asset. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Bank. The Bank measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank;
- an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Bank depreciates right-of-use assets by reference to the relevant depreciation provisions of Accounting Standards for Business Enterprises No. 4 - Property and equipment. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Bank is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

16.1.3 Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Bank measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate as the discount rate.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Bank to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Bank;
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Bank.

After the commencement date of the lease, the Bank calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognises such expenses in profit or loss.

After the commencement date of the lease, the Bank re-measures the lease liabilities and adjusts the right-of-use assets accordingly in the following cases. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liability needs to be reduced further, the Bank will recognise the difference in profit or loss for the period:

- there is a change in the lease term, or in the assessment of an option to purchase, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there is a change in the amounts expected to be payable under a residual value guarantee, or in lease payments resulting from a change in an index or a rate used to determine those payments, in which case the related lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.

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16.1.4 Short-term leases and leases of low-value assets

The Bank chooses not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain a call option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is less than the equivalent of USD5,000.

The Bank shall recognise the lease payments associated with short-term leases and leases of low-value assets in profit or loss on a straight-line basis over each period of the lease.

16.1.5 Lease modifications

The Bank accounts for a lease modification as a separate lease if:

- the lease modification expanded the scope of the lease by adding the right-of-use of one or more lease assets; and
- the increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Bank reallocates the consideration of the contract after the change, re-determines the lease term, and re-measures lease liabilities based on the changed lease payments and the present value calculated by the revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially of fully terminated will be included in profit or loss for the period; For other lease modifications resulting in the remeasurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

16.2 The Bank as a lessor

16.2.1 Separating components of a lease

For a contract that contains lease components and non-lease components, the Bank allocates the contract consideration in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue on apportionment of transaction prices, based on the respective stand-alone prices of the lease components and the non-lease components.

16.2.2 Classification of a lease

Leases are classified as finance leases whenever the terms of the leased assets transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

16.3 The Bank as lessor under operating leases

Receipts of lease under operating leases are recognised as rental income on a straight-line basis over each period of the lease. Initial direct costs related to operating leases incurred by the Bank are capitalised when incurred, and are recognised in profit or loss for the current period on the same basis as recognition of rental income over the lease term.

Variable lease receipts acquired by the Bank in connection with operating leases that are not included in the lease receipts are recognised in profit or loss when incurred.

The Bank accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any lease advances or receivables relating to the original lease as the lease receipts for the new lease.

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12. Entrusted business

The Bank acts in a fiduciary capacity in entrusted loan business.

Entrusted loans are loans that are financed by the principal and are issued, supervised and recovered in accordance with the loan recipients, purpose, term and interest rate as determined by the principal. Entrusted loans are presented as issued or invested amounts.

The principal shall bear all risks and profits or losses of the entrusted business, and the Bank only charges a relevant commission.

V. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the accounting policies, which are described in Note IV, the Bank is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Bank's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgements, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

The Bank makes the following critical judgements in applying accounting policies, which have a significant impact on the amounts recognised in the financial statements:

Measurement of expected impairment losses

- Significant increase in credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- Models and assumptions used: The Bank uses various models and assumptions in estimating ECL. The Bank determines the most applicable model for each type of financial asset and the assumptions used in these models, including the assumptions related to the key drivers of credit risk through judgement.
- Forward-looking information: When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In particular, the deductibility of certain items is subjected to government approval. Where the final tax outcome of these matters is different from the amounts that were initially

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recorded, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The recoverability of deferred tax assets at the end of the current year primarily depends on whether sufficient future taxable income is available for offsetting deductible losses. A write-down of the carrying amount of the deferred tax assets will be required and will affect the profits for the current year if taxable income is not available for offsetting deductible losses in the future.

VI. TAXES

Enterprise income tax

The enterprise income tax rate of the Bank is 25%.

Other taxes

TAXES	Tax basis	Tax rate
Value added tax ("VAT")	Taxable operating income	13%, 9%, 6%, etc.
Urban maintenance and construction tax	Turnover tax actually paid	5%, 7%
Educational surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%

VII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

	31 December 2023	31 December 2022
Statutory deposit reserves with central bank (Note 1)	743,642,629.32	764,000,707.58
Excess reserves with central bank (Note 2)	506,283,135.18	705,044,351.58
Sub-total	1,249,925,764.50	1,469,045,059.16
Accrued interest	291,963.35	296,818.68
Total	1,250,217,727.85	1,469,341,877.84

Note 1: The Bank pays the deposit reserves of general deposits to the People's Bank of China (PBOC) in accordance with the relevant regulations, which include RMB deposit reserves and foreign currency deposit reserves. The reserve cannot be used in the daily business, and cannot be used without the permission of PBOC. The general deposits represent the deposits received by the Bank from government organisations, non-budgetary deposits, individual savings deposits, enterprise deposits, net entrusted funds, and other deposits. As at 31 December 2023, the applicable deposit ratio of deposit reserve for RMB deposits is calculated at 7%, and for foreign currency deposits, the deposit ratio of deposit reserve is calculated at 4% (31 December 2022: 7.5% and 6%, respectively) . The deposit reserve denominated in foreign currencies deposited in PBOC is interest-free. The deposit ratio of deposit reserve for RMB deposits shall comply with relevant requirements of the PBOC.

Note 2: Excess reserves with central bank represent the amount deposited by the Bank with PBOC in excess of the statutory reserves, which is mainly used for fund settlement, position allocation, etc.

2. Balances with banks

	31 December 2023	31 December 2022
Deposits with domestic banks	304,512,631.92	213,480,881.41
Deposits with overseas banks	70,630,944.60	64,703,572.94
Accrued interest	250,955.99	139,040.66
Sub-total	375,394,532.51	278,323,495.01
Less: Allowance for expected credit losses (Note VII.14)	(295,493.00)	(1,864,960.00)
Total	375,099,039.51	276,458,535.01

As at 31 December 2023 and 31 December 2022, balances with banks are in stage 1 of ECL, therefore, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL.

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3. Placements with banks and other financial institutions

	31 December 2023	31 December 2022
Placements with domestic banks	-	449,646,000.00
Placements with overseas banks	155,819,400.00	195,008,800.00
Placements with other domestic financial institutions	810,000,000.00	888,579,600.00
Accrued interest	997,566.67	1,627,898.66
Sub-total	966,816,966.67	1,534,862,298.66
Less: Allowance for expected credit losses (Note VII.14)	(9,658,194.00)	(16,552,417.00)
Total	957,158,772.67	1,518,309,881.66

As at 31 December 2023 and 31 December 2022, placements with banks and other financial institutions are in stage 1 of ECL, therefore, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL.

4. Loans and advances to customers

(1) Loans and advances to customers by category are as follows:

	31 December 2023	31 December 2022
Total loans and advances to customers at amortised cost	8,254,399,920.10	8,408,801,213.12
Accrued interest of loans and advances to customers at amortised cost	23,572,350.04	25,976,139.96
Sub-total	8,277,972,270.14	8,434,777,353.08
Allowance for expected credit losses on loans and advances to customers at amortised cost	(128,841,431.24)	(139,110,588.72)
Allowance for expected credit losses on accrued interest of loans	(293,314.04)	(80,538.81)

and advances to customers at amortised cost		
Sub-total	(129,134,745.28)	(139,191,127.53)
Loans and advances to customers at amortised cost	8,148,837,524.86	8,295,586,225.55
Total loans and advances to customers at FVTOCI (Note)	-	4,652,174.17
Total	8,148,837,524.86	8,300,238,399.72

Note: As at 31 December 2023, the loans to customers at FVTOCI represent bank acceptance transactions, for which an impairment allowance of RMB0.00 (31 December 2022: RMB46,589.56) is recognised in other comprehensive income.

(2) Total loans and advances to customers by industry are as follows:

	31 December 2023		31 December 2022	
	Amounts	Proportion (%)	Amounts	Proportion (%)
Manufacturing	3,709,885,998.47	44.94	3,494,382,962.23	41.55
Financial sector	1,470,092,000.32	17.81	1,337,650,324.70	15.90
Real estate	1,051,543,904.49	12.74	1,143,629,090.98	13.59
Wholesale and retail trade	884,684,505.01	10.72	1,375,051,728.09	16.34
Lease and business service	637,863,014.00	7.73	657,755,680.00	7.82
Transportation, storage and postal services	204,625,815.30	2.48	191,931,972.88	2.28
Electricity, heat, gas, and water production and supply	93,555,866.00	1.13	41,725,895.28	0.50
Information dissemination, software and information technology service	79,750,000.00	0.97	12,761,933.13	0.15
Scientific research and technology service	71,014,316.51	0.86	18,900,000.00	0.22
Education	30,084,500.00	0.36	43,893,800.00	0.52
Hotel and catering	11,300,000.00	0.14	32,270,000.00	0.38
Construction	10,000,000.00	0.12	-	-
Agriculture, forestry, animal husbandry and fishery	-	-	63,500,000.00	0.75
Total loans and advances to customers	8,254,399,920.10	100.00	8,413,453,387.29	100.00

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(3) Total loans and advances to customers by collateral types are as follows:

	31 December 2023	31 December 2022
Credit loans	2,297,021,923.70	2,340,801,437.75
Collateralised loans	2,182,833,460.88	2,023,162,500.66
Pledged loans	1,984,353,743.72	2,056,992,305.49
Guaranteed loans	1,790,190,791.80	1,992,497,143.39
Total loans and advances to customers	8,254,399,920.10	8,413,453,387.29

(4) Loans and advances to customers by assessment of ECL are as follows:

	31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Total loans and advances to customers at amortised cost	7,938,171,136.13	316,228,783.97	-	8,254,399,920.10
Accrued interest of loans and advances to customers at amortised cost	22,783,814.62	788,535.42	-	23,572,350.04
Sub-total	7,960,954,950.75	317,017,319.39	-	8,277,972,270.14
Allowance for expected credit losses on loans and advances to customers at amortised cost	(122,824,955.27)	(6,016,475.97)	-	(128,841,431.24)
Allowance for expected credit losses on accrued interest of loans and advances to customers at amortised cost	(274,054.62)	(19,259.42)	-	(293,314.04)
Sub-total	(123,099,009.89)	(6,035,735.39)	-	(129,134,745.28)
Loans and advances to customers at amortised cost - net	7,837,855,940.86	310,981,584.00	-	8,148,837,524.86
Loans and advances to customers at	-	-	-	-

FVTOCI				
Allowance for expected credit losses on loans and advances to customers at FVTOCI	-	-	-	-

	31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Total loans and advances to customers at amortised cost	8,391,301,213.12	17,500,000.00	-	8,408,801,213.12
Accrued interest of loans and advances to customers at amortised cost	25,877,169.39	98,970.57	-	25,976,139.96
Sub-total	8,417,178,382.51	17,598,970.57	-	8,434,777,353.08
Allowance for expected credit losses on loans and advances to customers at amortised cost	(138,760,588.72)	(350,000.00)	-	(139,110,588.72)
Allowance for expected credit losses on accrued interest of loans and advances to customers at amortised cost	(78,559.40)	(1,979.41)	-	(80,538.81)
Sub-total	(138,839,148.12)	(351,979.41)	-	(139,191,127.53)
Loans and advances to customers at amortised cost - net	8,278,339,234.39	17,246,991.16	-	8,295,586,225.55
Loans and advances to customers at FVTOCI	4,652,174.17	-	-	4,652,174.17
Allowance for expected credit losses on loans and advances to customers at FVTOCI	(46,589.56)	-	-	(46,589.56)

(5) Movements in allowance for expected credit losses on loans and advances to customers

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Impairment allowance for loans to customers at amortised cost

	2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Opening balance	138,839,148.12	351,979.41	-	139,191,127.53
Transferred to:				
- Stage 1	-	-	-	-
- Stage 2	(459,019.92)	459,019.92	-	-
- Stage 3	-	(121,179.51)	121,179.51	-
Charge for the year (Note VII.37)	(14,596,052.57)	3,743,690.43	17,672,918.86	6,820,556.72
Write-off/Disposal	-	-	(17,794,098.37)	(17,794,098.37)
Exchange difference	917,159.40	-	-	917,159.40
Closing balance	124,701,235.03	4,433,510.25	-	129,134,745.28

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Opening balance	109,094,714.31	79,961.22	-	109,174,675.53
Transferred to:				
- Stage 1	-	-	-	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Charge for the year (Note VII.37)	24,924,580.86	272,018.19	-	25,196,599.05
Write-off/Disposal	-	-	-	-
Exchange difference	4,819,852.95	-	-	4,819,852.95
Closing balance	138,839,148.12	351,979.41	-	139,191,127.53

Impairment allowance for loans to customers at FVTOCI

	2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Opening balance	46,589.56	-	-	46,589.56
Transferred to:				
- Stage 1	-	-	-	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Charge for the year (Note VII.37)	(46,589.56)	-	-	(46,589.56)
Write-off/Disposal	-	-	-	-
Exchange difference	-	-	-	-
Closing balance	-	-	-	-

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Opening balance	20,398.68	-	-	20,398.68
Transferred to:				
- Stage 1	-	-	-	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Charge for the year (Note VII.37)	26,190.88	-	-	26,190.88
Write-off/Disposal	-	-	-	-
Exchange difference	-	-	-	-
Closing balance	46,589.56	-	-	46,589.56

5. Financial investments at FVTPL

	31 December 2023	31 December 2022
Government bonds	10,127,270.11	-
Financial bonds	30,262,790.82	-
Total	40,390,060.93	-

6. Financial investments at amortised cost

	31 December 2023	31 December 2022
Government bonds - principal	113,052,919.85	109,731,651.92
Financial bonds - principal	295,512,482.46	625,018,243.33
Accrued interest	7,498,486.90	10,556,181.85
Sub-total	416,063,889.21	745,306,077.10
Less: Allowance for expected credit losses on financial Investments at amortised cost (Note VII.14)	(1,160,422.15)	(1,374,948.62)
Total	414,903,467.06	743,931,128.48

As at 31 December 2023 and 31 December 2022, financial investments at amortised cost are in stage 1 of ECL, therefore, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL.

7. Financial investments at FVTOCI

	31 December 2023	31 December 2022
Government bonds		
Investment cost	1,200,374,662.12	-
Changes in fair value accumulated included in other comprehensive income	9,408,637.88	-
Sub-total	1,209,783,300.00	-
Financial bonds		
Investment cost	4,556,071,921.28	4,278,666,629.37

Changes in fair value accumulated included in other comprehensive income	15,009,615.22	(5,153,775.67)
Sub-total	4,571,081,536.50	4,273,512,853.70
Interbank certificate of deposits		
Investment cost	149,891,192.56	-
Changes in fair value accumulated included in other comprehensive income	(399,442.56)	-
Sub-total	149,491,750.00	-
Accrued interest	66,224,400.94	76,177,402.93
Total	5,996,580,987.44	4,349,690,256.63

The carrying amount of financial assets at FVTOCI is not net of loss allowance. As at 31 December 2023 and 31 December 2022, financial investments at FVTOCI are in stage 1 of ECL, therefore, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL amounting to RMB1,007,264.59 (31 December 2022: RMB1,516,191.95).

8. Investment properties

Buildings	2023	2022
Cost		
Opening balance	409,439,516.17	409,439,516.17
Closing balance	409,439,516.17	409,439,516.17
Accumulated depreciation		
Opening balance	69,475,031.25	58,359,026.25
Charge for the year	11,116,005.00	11,116,005.00
Closing balance	80,591,036.25	69,475,031.25
Carrying amount		
Opening balance	339,964,484.92	351,080,489.92
Closing balance	328,848,479.92	339,964,484.92

9. Property and equipment

	Buildings	Electronic equipment	Machinery and equipment	Office furniture	Others	Total
Cost						
1 January 2023	283,757,501.69	51,312,377.74	5,283,269.48	3,821,920.24	6,715,314.90	350,890,384.05
Additions	-	8,667,623.48	499,719.34	829,996.26	-	9,997,339.08
Disposal	-	(1,195,709.26)	(332,754.18)	(222,545.66)	-	(1,751,009.10)
31 December 2023	283,757,501.69	58,784,291.96	5,450,234.64	4,429,370.84	6,715,314.90	359,136,714.03
Accumulated depreciation						
1 January 2023	47,758,309.23	37,830,209.73	3,519,534.78	2,333,362.87	3,711,985.88	95,153,402.49
Charge for the year	8,836,474.68	4,189,679.01	536,375.61	412,757.66	671,526.12	14,646,813.08
Disposal	-	(1,143,360.33)	(288,811.67)	(188,754.97)	-	(1,620,926.97)
31 December 2023	56,594,783.91	40,876,528.41	3,767,098.72	2,557,365.56	4,383,512.00	108,179,288.60
Net amount						
1 January 2023	235,999,192.46	13,482,168.01	1,763,734.70	1,488,557.37	3,003,329.02	255,736,981.56
31 December 2023	227,162,717.78	17,907,763.55	1,683,135.92	1,872,005.28	2,331,802.90	250,957,425.43

	Buildings	Electronic equipment	Machinery and equipment	Office furniture	Others	Total
Cost						
1 January 2022	283,757,501.69	49,820,299.89	5,231,665.27	3,689,946.96	6,715,314.90	349,214,728.71
Additions	-	1,492,077.85	459,263.51	186,289.35	-	2,137,630.71
Disposal	-	-	(407,659.30)	(54,316.07)	-	(461,975.37)
31 December 2022	283,757,501.69	51,312,377.74	5,283,269.48	3,821,920.24	6,715,314.90	350,890,384.05
Accumulated epreciation						

1 January 2022	38,921,834.55	32,378,134.66	3,317,635.12	2,017,899.44	3,040,459.76	79,675,963.53
Charge for the year	8,836,474.68	5,452,075.07	556,174.50	351,564.74	671,526.12	15,867,815.11
Disposal	-	-	(354,274.84)	(36,101.31)	-	(390,376.15)
31 December 2022	47,758,309.23	37,830,209.73	3,519,534.78	2,333,362.87	3,711,985.88	95,153,402.49
Net amount						
1 January 2022	244,835,667.14	17,442,165.23	1,914,030.15	1,672,047.52	3,674,855.14	269,538,765.18
31 December 2022	235,999,192.46	13,482,168.01	1,763,734.70	1,488,557.37	3,003,329.02	255,736,981.56

10. Right-of-use assets

	Buildings	Electronic equipment	Transportation equipment and others	Total
Cost				
1 January 2023	181,724,997.19	2,977,603.34	2,518,186.69	187,220,787.22
Additions	16,801,963.22	-	1,484,226.54	18,286,189.76
Decrease	(19,472,597.49)	-	(1,687,761.49)	(21,160,358.98)
31 December 2023	179,054,362.92	2,977,603.34	2,314,651.74	184,346,618.00
Accumulated depreciation of right-of-use assets				
1 January 2023	103,118,313.50	1,655,136.48	1,548,947.92	106,322,397.90
Depreciation	22,338,064.54	984,925.20	824,585.08	24,147,574.82
Decrease	(19,070,543.87)	-	(1,687,761.49)	(20,758,305.36)
31 December 2023	106,385,834.17	2,640,061.68	685,771.51	109,711,667.36
Carrying amount				
1 January 2023	78,606,683.69	1,322,466.86	969,238.77	80,898,389.32
31 December 2023	72,668,528.75	337,541.66	1,628,880.23	74,634,950.64

	Buildings	Electronic equipment	Transportation equipment and others	Total
Cost				
1 January 2022	156,679,490.01	2,977,603.34	2,414,050.37	162,071,143.72
Additions	26,158,429.46	-	701,530.28	26,859,959.74
Decrease	(1,112,922.28)	-	(597,393.96)	(1,710,316.24)
31 December 2022	181,724,997.19	2,977,603.34	2,518,186.69	187,220,787.22
Accumulated depreciation of right-of-use assets				
1 January 2022	79,440,217.92	670,211.28	1,277,828.43	81,388,257.63
Depreciation	24,791,017.86	984,925.20	868,513.45	26,644,456.51
Decrease	(1,112,922.28)	-	(597,393.96)	(1,710,316.24)
Other movements	-	-	-	-
31 December 2022	103,118,313.50	1,655,136.48	1,548,947.92	106,322,397.90
Carrying amount				
1 January 2022	77,239,272.09	2,307,392.06	1,136,221.94	80,682,886.09
31 December 2022	78,606,683.69	1,322,466.86	969,238.77	80,898,389.32

11. Intangible assets

	Software	System	Total
Cost			
1 January 2023	4,276,389.69	33,507,204.99	37,783,594.68
Additions	5,222,579.96	13,890,731.99	19,113,311.95
31 December 2023	9,498,969.65	47,397,936.98	56,896,906.63
Accumulated amortisation			
1 January 2023	4,276,389.69	14,070,435.29	18,346,824.98
Amortisation	923,460.81	6,714,237.73	7,637,698.54
31 December 2023	5,199,850.50	20,784,673.02	25,984,523.52
Net amount			
1 January 2023	-	19,436,769.70	19,436,769.70
31 December 2023	4,299,119.15	26,613,263.96	30,912,383.11

	Software	System	Total
Cost			
1 January 2022	4,276,389.69	29,557,246.07	33,833,635.76
Additions	-	3,949,958.92	3,949,958.92
31 December 2022	4,276,389.69	33,507,204.99	37,783,594.68
Accumulated amortisation			
1 January 2022	4,276,389.69	10,576,553.55	14,852,943.24
Amortisation	-	3,493,881.74	3,493,881.74
31 December 2022	4,276,389.69	14,070,435.29	18,346,824.98
Net amount			
1 January 2022	-	18,980,692.52	18,980,692.52
31 December 2022	-	19,436,769.70	19,436,769.70

12. Deferred tax assets/liabilities

(1) Details of deferred tax assets and deferred tax liabilities before offsetting are as follows:

Item	Deductible temporary differences and deductible losses		Deferred tax assets	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Disallowed pre-tax deduction of loss allowance for loans and other financial assets	114,671,566.68	101,884,246.21	28,667,891.68	25,471,061.54
Government grants	16,391,817.18	16,945,906.74	4,097,954.30	4,236,476.69
Derivative financial liabilities	113,287,642.45	106,264,838.67	28,321,910.61	26,566,209.67
Lease liabilities	82,833,515.04	87,164,797.07	20,708,378.76	21,791,199.27
Financial investments at FVTOCI	-	5,164,837.51	-	1,288,444.25
Employee benefits payable	2,067,916.00	1,537,269.00	516,979.00	384,317.25
Discounted interest income	-	25,709.81	-	6,427.45
Total	329,252,457.35	318,987,605.01	82,313,114.35	79,744,136.12

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Item	Taxable temporary differences		Deferred tax liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial investments at FVTPL	278,450.00	-	69,612.50	-
Financial investments at FVTOCI	24,018,810.54	-	6,004,702.74	-
Derivative financial assets	146,656,258.34	121,398,235.13	36,664,064.58	30,349,558.78
Loans to customers at FVTOCI	-	18,926.04	-	4,731.51
Right-of-use assets	74,634,950.64	80,898,389.32	18,658,737.66	20,224,597.33
Total	245,588,469.52	202,315,550.49	61,397,117.48	50,578,887.62

(2) Amount of deferred tax assets and deferred tax liabilities after offsetting qualifying amounts:

	31 December 2023	31 December 2022
Deferred tax assets	82,313,114.35	79,744,136.12
Deferred tax liabilities	61,397,117.48	50,578,887.62
Net amount	20,915,996.87	29,165,248.50

(3) Movements of deferred income tax

Item	1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2023
Disallowed pre-tax deduction of loss allowance for loans and other financial assets	25,471,061.54	3,196,830.14	-	28,667,891.68
Government grants	4,236,476.69	(138,522.39)	-	4,097,954.30
Derivative financial instruments	(3,783,349.11)	(4,558,804.86)	-	(8,342,153.97)
Financial investments at FVTPL	-	(69,612.50)	-	(69,612.50)
Financial investments at FVTOCI	1,288,444.25	-	(7,293,146.99)	(6,004,702.74)
Loans to customers at FVTOCI	(4,731.51)	-	4,731.51	-

Right-of-use assets	(20,224,597.33)	1,565,859.67	-	(18,658,737.66)
Lease liabilities	21,791,199.27	(1,082,820.51)	-	20,708,378.76
Discounted interest income	6,427.45	(6,427.45)	-	-
Employee benefits payable	384,317.25	132,661.75	-	516,979.00
Total	29,165,248.50	(960,836.15)	(7,288,415.48)	20,915,996.87

Item	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
Disallowed pre-tax deduction of loss allowance for loans and other financial assets	22,511,940.24	2,959,121.30	-	25,471,061.54
Government grants	4,374,999.08	(138,522.39)	-	4,236,476.69
Derivative financial instruments	(377,508.76)	(3,405,840.35)	-	(3,783,349.11)
Financial investments at FVTPL	(1,481.25)	1,481.25	-	-
Financial investments at FVTOCI	(8,345,240.51)	390,695.39	9,242,989.37	1,288,444.25
Loans to customers at FVTOCI	(5,165.68)	-	434.17	(4,731.51)
Right-of-use assets	1,087,685.55	478,916.39	-	1,566,601.94
Discounted interest income	(226.52)	6,653.97	-	6,427.45
Employee benefits payable	-	384,317.25	-	384,317.25
Total	19,245,002.15	676,822.81	9,243,423.54	29,165,248.50

13. Other assets

	31 December 2023	31 December 2022
Prepayment for leasehold improvement and other miscellaneous items	19,047,782.73	11,205,020.27
Rental guarantee deposits	5,499,807.71	5,741,194.91
Other guarantee deposits	153,407,837.83	1,412,685.65
Other prepayments	8,188,983.80	25,227,360.33
Other receivables	7,252,772.86	5,028,579.91
Total	193,397,184.93	48,614,841.07

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14. Allowance for expected credit losses

	1 January 2023	Provision/ (Reversal)	Write-off	Exchange difference and other impacts	31 December 2023
Allowance for expected credit losses on balances with banks	1,864,960.00	(1,569,467.00)	-	-	295,493.00
Allowance for expected credit losses on placements with banks and other financial institutions	16,552,417.00	(6,369,538.00)	-	(524,685.00)	9,658,194.00
Allowance for expected credit losseson loans and advances to customers	139,237,717.09	6,773,967.16	(17,794,098.37)	917,159.40	129,134,745.28
Allowance for expected credit losses on financial investments at amortised cost	1,374,948.62	(216,334.00)	-	1,807.53	1,160,422.15
Allowance for expected credit losses on financial investments at FVTOCI	1,516,191.95	(514,199.68)	-	5,272.32	1,007,264.59
Allowance for expected credit losses on off-balance sheet assets	764,759.27	6,650,107.34	-	(46,343.19)	7,368,523.42
Total	161,310,993.93	4,754,535.82	(17,794,098.37)	353,211.06	148,624,642.44

	1 January 2022	Provision/ (Reversal)	Write-off	Exchange difference and other impacts	31 December 2022
Allowance for expected credit losses on balances with banks	4,218,256.00	(2,353,296.00)	-	-	1,864,960.00
Allowance for expected credit losses on placements with banks and other financial institutions	16,093,185.92	(231,461.92)	-	690,693.00	16,552,417.00
Allowance for expected credit losses on loans and advances to customers	109,195,074.21	25,222,789.93	-	4,819,852.95	139,237,717.09
Allowance for expected credit losses on financial investments at amortised cost	99,231.50	1,276,722.29	-	(1,005.17)	1,374,948.62
Allowance for expected credit losses on financial investments at FVTOCI	1,419,264.79	96,855.56	-	71.60	1,516,191.95
Allowance for expected credit losses on off-balance sheet assets	1,094,144.25	(350,557.43)	-	21,172.45	764,759.27
Total	132,119,156.67	23,661,052.43	-	5,530,784.83	161,310,993.93

15. Deposits from banks and other financial institutions

	31 December 2023	31 December 2022
Deposits from other domestic financial institutions	52,700,725.04	285,004,959.83
Deposits from overseas banks	549,657.67	635,616.75
Sub-total	53,250,382.71	285,640,576.58
Accrued interest	47,974.16	105,178.31
Total	53,298,356.87	285,745,754.89

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16. Placements from banks and other financial institutions

	31 December 2023	31 December 2022
From overseas banks	1,758,194,000.00	1,876,814,000.00
From domestic banks	707,557,620.00	1,150,731,660.00
Sub-total	2,465,751,620.00	3,027,545,660.00
Accrued interest	10,478,997.58	5,397,960.13
Total	2,476,230,617.58	3,032,943,620.13

17. Financial assets sold under repurchase agreements

	31 December 2023	31 December 2022
Securities	1,400,000,000.00	1,410,000,000.00
Accrued interest	1,555,917.82	2,220,465.77
Total	1,401,555,917.82	1,412,220,465.77

18. Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
- Corporate customers	3,829,944,010.19	2,856,554,856.79
- Retail customers	250,563,021.07	194,082,709.14
Sub-total	4,080,507,031.26	3,050,637,565.93
Time deposits (including notice deposits)		
- Corporate customers	3,829,065,527.44	3,506,020,499.39
- Retail customers	737,570,873.69	480,702,892.01
Sub-total	4,566,636,401.13	3,986,723,391.40
Structured deposits		
- Corporate customers	1,469,490,000.00	1,228,960,000.00
- Retail customers	290,030,000.00	288,750,000.00
Sub-total	1,759,520,000.00	1,517,710,000.00
Guarantee deposits	1,160,289,538.47	1,616,811,121.90
Others	24,783,954.71	21,628,724.19
Sub-total of principal	11,591,736,925.57	10,193,510,803.42
Accrued interest	77,012,514.98	65,035,369.03
Total	11,668,749,440.55	10,258,546,172.45

19. Employee benefits payable

	1 January 2023	Provision	Payments for the year	31 December 2023
Wages and bonuses	19,619,421.69	94,184,883.08	(94,952,136.75)	18,852,168.02
Employee welfare expenses	-	10,919,608.05	-10,919,608.05	-
Employee education expenses	-	340,358.50	(340,358.50)	-
Social insurance	-	4,568,880.78	(4,568,880.78)	-
Including: Medical insurance	-	4,140,023.90	(4,140,023.90)	-
Work injury insurance	-	108,870.60	(108,870.60)	-
Maternity insurance	-	319,986.28	(319,986.28)	-
Housing reserve	-	5,237,633.68	(5,237,633.68)	-
Defined contribution plan (Note)	-	6,393,827.07	(6,393,827.07)	-
Remuneration for contract workers	-	-	-	-
Total	19,619,421.69	121,645,191.16	(122,412,444.83)	18,852,168.02

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	1 January 2022	Provision	Payments for the year	31 December 2022
Wages and bonuses	14,466,299.97	93,653,995.19	(88,500,873.47)	19,619,421.69
Employee welfare expenses	-	10,540,412.46	(10,540,412.46)	-
Employee education expenses	-	165,097.55	(165,097.55)	-
Social insurance	-	3,974,439.63	(3,974,439.63)	-
Including: Medical insurance	-	3,644,749.68	(3,644,749.68)	-
Work injury insurance	-	73,801.16	(73,801.16)	-
Maternity insurance	-	255,888.79	(255,888.79)	-
Housing reserve	-	4,336,481.60	(4,336,481.60)	-
Defined contribution plan (Note)	-	5,421,182.36	(5,421,182.36)	-
Remuneration for contract workers	-	167,231.15	(167,231.15)	-
Total	14,466,299.97	118,258,839.94	(113,105,718.22)	19,619,421.69

Note: The defined contribution plan is that the Bank participates in pension insurance, unemployment insurance, and salary default guarantee plans established by government agencies according to regulations. The Bank contributes to these plans in accordance with the prescribed standards. In addition to the above monthly deposit fees, the Bank will not undertake further payment obligations. The corresponding expenditures are recognised in profit or loss in the period in which they are incurred. In 2023, The Bank shall contribute to the pension insurance and unemployment insurance plans amounting to RMB6,272,845.23 and RMB120,981.84 (2022:

RMB5,332,980.88 and RMB88,201.48), respectively. As at 31 December 2023, the Bank has fully paid the amounts due for pension insurance and unemployment insurance plans for the reporting period.

20. Tax payable

Taxes	31 December 2023	31 December 2022
Income tax	1,318,503.16	2,508,330.13
Value added tax ("VAT")	6,184,158.33	5,046,437.20
Others	917,558.46	1,063,267.83
Total	8,420,219.95	8,618,035.16

21. Debt securities issued

	31 December 2023	31 December 2022
Negotiable interbank certificate of deposits	59,934,924.89	99,905,373.50

22. Lease liabilities

	31 December 2023	31 December 2022
	Analysis by maturity date - undiscounted	Analysis by maturity date - undiscounted
Within 1 year	23,820,402.31	21,239,861.17
1-5 years	56,861,514.53	61,382,588.90
Over 5 years	6,994,696.00	10,769,633.69
Total undiscounted lease liabilities	87,676,612.84	93,392,083.76
Less: Future interest expenses	(4,843,097.80)	(6,227,286.69)
Balance of lease liabilities	82,833,515.04	87,164,797.07

23. Other liabilities

	31 December 2023	31 December 2022
Advance from customers	4,356,007.19	6,291,632.34
Rental guarantee deposits	2,449,936.00	2,449,936.00

Amounts due to related parties (Note VIII. (4))	-	30,460.00
Allowance for expected credit losses of off-balance sheet	7,368,523.42	764,759.27
Government grants	16,391,817.18	16,945,906.74
Other payables	12,583,654.05	6,254,102.93
Total	43,149,937.84	32,736,797.28

24. Paid-in capital

The registered capital of the Bank is RMB2,000,000,000.00. As at 31 December 2023, all the capital has been fully paid. The details of capital contributions by the investors in accordance with articles of association of the Bank are as follows:

	31/12/2023 and 31/12/2022	
	Ratio (%)	Amounts
E. SUN COMMERCIAL BANK, LTD.	100.00	2,000,000,000.00

The registered capital of the Bank is RMB 2 billion, of which RMB 1 billion is allocated by E. Sun Commercial Bank, Ltd. and RMB 1 billion is transferred from the working capital restructuring of the former E.SUN Commercial Bank, Ltd. Dongguan Branch.

The paid-in capital of the Bank was audited by Deloitte Touche Tohmatsu CPA LLP on 12 April 2016, with the issuance of the capital verification report De Shi Bao (Yan) Zi (16) No. 0186.

25. Capital reserve

	1 January 2023	Increase	Decrease	31 December 2023
Capital premium:				
Capital reserve from owners' free appropriations	5,385,957.42	-	-	5,385,957.42
Excess of Dongguan Branch's working capital of RMB 1 billionover the premium	36,847,668.03	-	-	36,847,668.03
Transfer from retained profits	53,781,745.90	-	-	53,781,745.90

of Dongguan Branch				
Total	96,015,371.35	-	-	96,015,371.35

26. Other comprehensive income

	1 January 2023	Pre-tax amount incurred	Income tax expenses	Net of tax	31 December 2023
Other comprehensive income that will be reclassified to profit or loss					
- Changes in fair values of financial assets at FVOCI	(3,865,331.11)	29,172,586.21	(7,293,146.99)	21,879,439.22	18,014,108.11
- Expected credit losses on Financial investments at FVTOCI	1,137,143.95	(508,927.36)	127,231.85	(381,695.51)	755,448.44
- Changes in fair values of loans to customers at FVTOCI	14,194.56	(18,926.07)	4,731.51	(14,194.56)	-
- Impairment losses of loans to customers at FVTOCI	34,942.18	(46,589.57)	11,647.39	(34,942.18)	-
Total	(2,679,050.42)	28,598,143.21	(7,149,536.24)	21,448,606.97	18,769,556.55

	1 January 2022	Pre-tax amount incurred	Income tax expenses	Net of tax	31 December 2022
Other comprehensive income that will be reclassified to profit or loss					
- Changes in fair values of financial assets at FVOCI	23,971,272.41	(37,115,472.38)	9,278,868.86	(27,836,603.52)	(3,865,331.11)
- Expected credit losses on financial investments at FVTOCI	1,064,448.58	96,927.16	(24,231.79)	72,695.37	1,137,143.95
- Changes in fair values of loans to customers at FVTOCI	198.03	18,662.33	(4,665.80)	13,996.53	14,194.56
- Impairment losses of loans to customers at FVTOCI	15,299.00	26,190.91	(6,547.73)	19,643.18	34,942.18
Total	25,051,218.02	(36,973,691.98)	9,243,423.54	(27,730,268.44)	(2,679,050.42)

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27. Surplus reserve

	1 January 2023	Increase	Decrease	31 December 2023
Statutory surplus reserve (Note)	6,887,306.28	6,944,953.36	-	13,832,259.64

Note: After using the losses of previous years to offset the net profit of the year, the Bank shall transfer 10% of the remaining amount to the statutory surplus reserve.

28. General reserve

	1 January 2023	Increase	Decrease	31 December 2023
General reserve	61,985,756.55	62,504,580.17	-	124,490,336.72

29. Retained profits

	2023	2022
Accumulated losses at the beginning of the year	-	(474,752.44)
Add: Net profit for the year	69,449,533.53	69,347,815.27
Less: Transfer to surplus reserve	(6,944,953.36)	(6,887,306.28)
Transfer to general reserve	(62,504,580.17)	(61,985,756.55)
Retained profits at the end of the year	-	-

30. Net interest income

	2023	2022
Interest income		
- Deposits with the central bank	9,123,386.14	7,825,298.99
- Balances with banks	9,834,310.61	7,532,958.93
- Placements with banks and other financial institutions	50,907,300.35	44,818,365.37
- Loans and advances to customers	350,854,745.73	309,540,457.81
- Securities and other investments	169,538,695.26	111,786,570.21
Sub-total	590,258,438.09	481,503,651.31
Interest expenses		
- Deposits from banks and other financial institutions	852,261.12	1,059,832.05
- Placements from banks and other financial institutions	132,981,809.52	61,903,958.93
- Deposits from customers	257,693,578.01	162,099,575.08
- Lease liabilities	2,549,922.39	2,324,176.54
- Financial bonds sold under repurchase agreements	15,510,909.51	21,054,811.18
- Debt securities issued	823,601.39	130,873.50
Sub-total	410,412,081.94	248,573,227.28
Net interest income	179,846,356.15	232,930,424.03

In 2023, the interest income from loans and advances to customers at FVTOCI is RMB49,115.79 (2022: RMB245,529.12), and the interest income from financial investments at FVTOCI is RMB139,379,010.53 (2022: RMB97,618,236.85).

31. Net fee and commission income

	2023	2022
Fee and commission income		
- Commissions from credit commitment and loan business	20,473,847.60	17,755,730.68
- Payment settlement and agency fees	1,793,202.66	1,646,296.93
- Other fees and commissions	734,936.21	128,894.97

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Sub-total	23,001,986.47	19,530,922.58
Fee and commission expenses		
- Settlement and agency fee expenses	3,346,287.19	2,159,514.85
- Other fee expenses	521,603.30	650,136.06
Sub-total	3,867,890.49	2,809,650.91
Net fee and commission income	19,134,095.98	16,721,271.67

32. Investment income

	2023	2022
Financial investments at FVTPL	6,182,742.14	87,570.40
Financial investments at FVTOCI	61,124,345.40	60,788,858.04
Derivative financial instruments	32,536,569.12	(831,662.76)
Total	99,843,656.66	60,044,765.68

33. Gains on fair value changes

	2023	2022
Financial investments at FVTPL	278,450.00	(5,925.00)
Derivative financial instruments	18,235,219.43	13,623,361.39
Total	18,513,669.43	13,617,436.39

34. Other operating income and costs

Other operating activities account for the Bank's investment properties measured at cost method.

	2023	2022
Other operating income		
- Rental income from investment properties	7,511,848.86	6,902,011.06
Other operating costs		
- Depreciation expenses on investment properties	11,116,005.00	11,116,005.00

35. Tax and surcharges

	2023	2022
Housing property Tax	5,713,092.00	4,284,819.01
Urban maintenance and construction tax	1,925,564.42	1,432,263.46
Educational surcharge	831,924.72	621,507.13
Local education surcharge	554,616.48	414,338.10
Stamp duty	822,373.42	706,245.97
Others	5,882.48	4,382.83
Total	9,853,453.52	7,463,556.50

36. Operating and administrative expenses

	2023	2022
Employee benefits and welfare	121,645,191.16	118,258,839.94
Depreciation expenses on right-of-use assets	24,147,574.82	26,644,456.51
Depreciation of property and equipment	14,646,813.08	15,867,815.11
Amortisation of intangible assets	7,637,698.54	3,493,881.74
Amortisation of prepayment for leasehold improvement and other miscellaneous items	4,309,236.04	3,038,094.24
Consulting fee	3,087,886.91	3,643,433.61
Property management fee	2,901,374.65	3,070,832.47
Short-term leases expenses	767,181.55	1,767,348.03
Low-value leases expenses	97,109.69	71,037.07
Others	41,167,839.91	36,888,137.35
Total	220,407,906.35	212,743,876.07

37. Expected credit losses

	2023	2022
Loans and advances to customers	6,773,967.16	25,222,789.93
Balances with banks	(1,569,467.00)	(2,353,296.00)
Placements with banks and other financial institutions	(6,369,538.00)	(231,461.92)
Financial investments at amortised cost	(216,334.00)	1,276,722.29
Financial investments at FVTOCI	(514,199.68)	96,855.56
Off-balance sheet financial assets	6,650,107.34	(350,557.43)
Total	4,754,535.82	23,661,052.43

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38. Income tax expenses

	2023	2022
Current tax expenses	21,989,235.36	22,851,639.35
Tax adjustments for previous years	792,502.33	(763,592.74)
Deferred income tax expenses	1,099,715.39	(676,822.81)
Income tax expenses	23,881,453.08	21,411,223.80

Reconciliation of income tax expenses to accounting profit is as follows:

	2023	2022
Accounting profit	93,330,986.61	90,759,039.07
Income tax expense calculated at 25%	23,332,746.65	22,689,759.77
Effect of non-deductible expenses	1,014,194.95	232,583.33
Effect of tax-free income	(1,257,990.85)	(747,526.56)
Tax adjustments for previous years	792,502.33	(763,592.74)
Total	23,881,453.08	21,411,223.80

39. Cash and cash equivalents

	31 December 2023	31 December 2022
Deposits with the central bank that are readily available for payment	506,283,135.18	705,044,351.58
Balances with banks with original maturity within three months	375,143,576.52	278,184,454.35
Placements with banks and other financial institutions with original maturity within three months	155,819,400.00	714,300,800.00
Balance of cash and cash equivalents	1,037,246,111.70	1,697,529,605.93

40. Supplementary information to the cash flow statement

	2023	2022
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	69,449,533.53	69,347,815.27
Add: Credit impairment losses	4,754,535.82	23,661,052.43
Depreciation of investment properties	11,116,005.00	11,116,005.00
Depreciation of property and equipment	14,646,813.08	15,867,815.11
Depreciation of right-of-use assets	24,147,574.82	26,644,456.51
Amortisation of intangible assets	7,637,698.54	3,493,881.74
Amortisation of prepayment for leasehold improvement and other miscellaneous items	4,309,236.04	3,038,094.24
Exchange gains	(20,296,232.02)	(55,934,975.27)
Gains on disposal of property and equipment, intangible assets and other long-term assets	(37,499.10)	(66,969.52)
Gains on fair value changes	(18,513,669.43)	(13,617,436.39)
Interest income from securities and other investments	(169,538,695.26)	(111,786,570.21)
Investment income	(93,660,914.52)	(59,934,242.13)
Interest expenses on bonds	823,601.39	130,873.50
Interest expenses on lease liabilities	2,549,922.39	2,324,176.54
Deferred income tax expenses	1,099,715.39	(676,822.81)
Decrease (Increase) in operating receivables	20,145,032.55	(1,551,287,209.04)
Increase in operating payables	605,564,539.29	1,954,036,534.14
Net Cash Flow from Operating Activities	464,197,197.51	316,356,479.11
(2) Net change in cash and cash equivalents		
Closing balance of cash and cash equivalents	1,037,246,111.70	1,697,529,605.93
Less: Opening balance of cash and cash equivalents	1,697,529,605.93	1,478,862,941.18
Net (Decrease)/Increase in Cash and Cash Equivalents	(660,283,494.23)	218,666,664.75

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VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related party where a control relationship exists:

Company	Place of registration	Legal representative	Nature of economy	Principal operating activities	Registered capital		Relationship	Shareholding proportion
					2023	2022		
E. SUN FHC	Taiwan	Huang Nanzhou	Company limited by shares	Financial service	TWD156.640 billion	TWD142.751 billion	Actual controller	100.00%
E. SUN COMMERCIAL BANK, LTD.	Taiwan	Huang Nanzhou	Company limited by shares	Financial service	TWD117.072 billion	TWD103.637 billion	Parent company	100.00%

As at 31 December 2023, E. SUN FHC indirectly held 100% of the Bank's shares through its subsidiary, E. Sun Commercial Bank, Ltd. (31 December 2022: 100%).

(2) Other related parties having transactions with the Bank where a control relationship does not exist:

Company	Place of registration	Legal representative	Nature of economy	Principal operating activities	Registered capital		Related party relationship
					2023	2022	
E. Sun Commercial Bank, Ltd. Hong Kong Branch	Hong Kong	Lin Yinghui	Branch of company limited by shares	Financial service	USD10 million	USD10 million	Jointly controlled by the parent company
Bankpro E-Service Technology Co., Ltd.	Taiwan	Chen Zhangzheng	Company limited by shares	Consulting services;	TWD180 million	TWD180 million	Jointly controlled by the parent company

(3) Details of significant transactions between the Bank and related parties are as follows:

Company	Related party	2023	2022
Interest expenses	E.Sun Commercial Bank, Ltd.	65,707,597.94	37,042,815.59
Interest income	E.Sun Commercial Bank, Ltd.	5,610,663.07	1,809,694.72
Operating and administrative expenses	Bankpro E-Service Technology Co., Ltd.	355,397.15	205,615.07
Operating and administrative expenses	E.Sun Commercial Bank, Ltd.	127,270.29	2,548.32
Fee and commission expenses	E.Sun Commercial Bank, Ltd.	24,133.77	15,182.17

(4) Details of significant amount between the Bank and related parties are as follows:

Company	Related party	2023	2022
Placements from banks and other financial institutions	E.Sun Commercial Bank, Ltd.	1,761,744,531.99	1,878,312,976.68
Placements with banks and other financial institutions	E.Sun Commercial Bank, Ltd.	155,888,869.46	125,392,260.26
Prepayments	Bankpro E-Service Technology Co., Ltd.	2,990,000.00	705,000.00
Balances with banks	E.Sun Commercial Bank, Ltd. Hong Kong Branch	2,733,918.83	3,287,981.19
Balances with banks	E.Sun Commercial Bank, Ltd.	2,081,884.82	1,807,905.06
Deposits from banks and other financial institutions	E.Sun Commercial Bank, Ltd.	549,813.45	635,718.89
Accounts payable	Bankpro E-Service Technology Co., Ltd.	-	30,460.00

(5) Remuneration for key management personnel:

	2023	2022
Remuneration for key management personnel	15,651,469.14	10,202,422.00

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(6) As at 31 December 2023, the Bank conducted business transactions with related natural persons such as directors, supervisors, and senior management in accordance with general commercial terms in its daily operations. The specific business includes deposits from customers, and the corresponding interest rate is equivalent to the interest rate provided by the Bank to third parties. The balance of deposits from customers from the above related natural persons amounted to RMB4,256,504.57 (31 December 2022: RMB4,285,560.04).

(7) The Bank's pricing policy for transactions with related parties

The pricing of the Bank's related party transactions is based on commercial principles and general commercial terms, with conditions that are not superior to similar transactions with non-related parties.

IX. COMMITMENTS

(1) Off-balance sheet items

	31 December 2023	31 December 2022
Irrevocable banking facilities commitments	947,120,326.26	889,109,447.75
Letters of guarantee	334,410,633.77	451,684,939.28
Letters of credit	208,827,620.62	94,416,430.65
Bank acceptances	117,173,627.46	329,983,908.54
Total	1,607,532,208.11	1,765,194,726.22

(2) Capital commitments

	31 December 2023	31 December 2022
Commitment for acquisition and construction of long-term assets that have been entered into but not recognised in the financial statements	8,070,365.99	10,755,789.92

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Risk management objectives and policies

The Bank's banking and financial business exposes the Bank to various risks. The Bank continuously perform risk identification, assessment and monitoring of various risks. The Bank's business operations are subject to credit risk, liquidity risk, market risk and operational risk. Market risk mainly includes interest rate risk and exchange rate risk.

The Bank's risk management objectives are to achieve a proper balance between risks and yield, and ensure safe and steady operations at a reasonable level of risk.

Risk management is the basic guarantee for the survival and development of a bank. The Bank regards risk management as one of its core competencies, formulates a development strategy that emphasises both business operations and risk management, and establishes a risk control system with risk asset management as its core. The Bank sets up a Risk Management Department, which is responsible for formulating the Bank's risk management system and policies to serve as the basis for risk management for each branch, coordinating and supervising the operation of the risk management mechanism of each branch, and ensuring the appropriateness of the norms and procedures for the conduct of each business in line with the development of Bank and changes in the financial environment.

1.1 Credit risk

Credit risk refers to the risk of losses caused by the default of a debtor or counterparty, or a decline in its credit rating and performance capability. Operational errors lead to unauthorised or inappropriate loans and advances to customers and capital commitments, which will also give rise to credit risk. The Bank's credit risk arises from balances with banks, placements with banks and other financial institutions, loans and advances to customers (Enterprise credit), financial investments at amortised cost (Financial assets at amortised cost, financial assets at FVTOCI) and other on-balance sheet and off-balance sheet credit exposures According to the Credit Risk Management Standards of the Bank, detailed analysis shall be conducted on the products provided and the businesses engaged in to identify existing and potential credit risks; Before launching new business, relevant credit risks shall also be reviewed and confirmed in accordance with relevant regulations. For more complex credit business, the Bank also formulates risk management mechanisms for relevant business management measures or operational points. In addition to complying with regulatory

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regulations, the asset quality assessment and loss allowance are conducted in accordance with the relevant risk management measures of the Bank.

In terms of loan classification, the Bank adopts a risk-based loan classification method. Currently, the Bank's enterprise credit ratings include two major categories: normal credit and problematic credit The Bank carries out internal risk classification management without considering risk mitigation.

The analysis of loans and advances to customers by industry and loan portfolio is presented in Note VII.4. As at 31 December 2023, in terms of 5-tier classification, except for 1 on-balance sheet loan and 1 off-balance sheet guarantee business classified as special mention, others are classified as normal; In terms of stage classification, except for 9 on-balance sheet loans and 2 off-balance sheet guarantees which are in stage 2, others are in stage 1.

1.1.1 Analysis of risk concentration

When changes in geography, economy, or industry have similar impacts on the Bank's counterparties, such as when the counterparties are concentrated in a certain industry or region, or share certain economic characteristics, credit concentration risk will arise. The Bank's financial instruments are scattered among different industries, regions, and products.

For details of the industry concentration of loans and advances to customers, please refer to Note VII.4.

1.1.2 Measurement of expected credit losses

The expected credit loss refers to the objective evidence of impairment or significant changes in credit risk of financial instruments (including balances with banks, placements with banks and other financial institutions, loans and advances to customers, financial investments at amortised cost, financial investments at FVTOCI, loan commitments and financial guarantee contracts, etc.). At the balance sheet date, the 12-month ECL of the financial asset or the lifetime ECL is recognised as an impairment loss.

The evidence of credit impairment of financial assets is the same as the definition of default of financial assets. If it meets one or more conditions such as overdue days of more than 90 days or abnormal credit inquiry, the Bank determines that the financial asset has defaulted and suffered credit impairment.

If the credit risk has not increased significantly since initial recognition of the financial instruments, the Bank recognises the loss allowance at an amount equivalent to 12-month ECL; If the credit risk has increased significantly and impaired since initial recognition of the financial instruments, the Bank recognises the loss allowance at an amount equivalent to lifetime ECL.

The Bank's approaches for measuring expected credit losses of financial assets include risk parameters modeling approach and discounted cash flow modeling approach. The key parameters measured by the risk parameters modeling approach are probability of default (PD), exposure at default (EAD), loss given default (LGD), and consider the time value of currency. Legal entity customers classified as Stage 1 and Stage 2 are subject to the risk parameters modeling approach. Legal entity customers classified as Stage 3 are subject to the discounted cash flow modeling approach.

1.1.3 Forward-looking information

In accordance with the requirements of the Administrative Measures for the Implementation of the Expected Credit Loss Method by Commercial Banks, the Bank has established a new expected credit impairment model in 2023. The Bank uses the Wilson model to make forward-looking forecasts, selects representative systematic macro factors as model parameters, and establishes a macroeconomic factor database through an external database (Wind database, etc.). The Bank updates the model parameters once a year according to the relevant requirements. The main macroeconomic indicators identified by the Bank in 2023 that affect expected credit losses include consumer price index, year-on-year growth rate of broad money, and purchasing manager index (PMI) of China's manufacturing industry, etc. According to the Wind database, the predicted values of the above three indicators are 1.13%, 10.93% and 51.00%, respectively. Similar to other economic forecasts, estimates of projected economic indicators and

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probability of occurrence are highly uncertain, so actual results may differ materially from forecasts. Meanwhile, the Bank adds the setting of macro scenario weights to establish a linkage relationship between the predicted values of macro factors under different scenario weights. In 2023, the macro scenario weights are optimistic (25%), neutral (40%), pessimistic (35%).

On the basis of the above expected credit impairment model, the Bank considers superposition of the management. If it is difficult to reflect the impact of relevant risk factors on expected credit loss through stage classification, evaluation model and forward-looking adjustment in the short term, the Bank will comprehensively analyse the future credit risk and increase the expected credit loss through superposition of the management to enhance the loss-absorbing capacity in time.

At the end of the current period, the amount of loss allowance required by the regulatory requirements is higher than that of the expected credit loss model.

For details of the Bank's policy for determining the impairment of financial assets, please refer to Note IV.5.

1.1.4 Maximum exposure to credit risk

Without considering any available collateral or other credit enhancement, at the balance sheet date, the Bank's maximum exposure to credit risk is the aggregate of carrying amount of relevant financial assets in the balance sheet and carrying amount of the off-balance sheet items in Note IX, (1). The Bank holds certain financial assets, such as cash and balances with central bank, other assets (including refundable deposits and other receivables). Due to the good credit rating of counterparties or the relatively small impact of the amount, the Bank determines that the credit risk is low.

In addition to the above, the Bank analyses the credit risk of risk assets such as b with banks, placements with banks and other financial institutions, loans and advances to customers and financial investments at amortised cost:

	31 December 2023	31 December 2022
On-balance sheet items		
Balances with banks	375,394,532.51	278,323,495.01
Less: Allowance for credit losses of deposits made	(295,493.00)	(1,864,960.00)

with other banks		
Net balances with banks	375,099,039.51	276,458,535.01
Placements with banks and other financial institutions	966,816,966.67	1,534,862,298.66
Less: Allowance for expected credit losses on placements with banks and other financial institutions	(9,658,194.00)	(16,552,417.00)
Net placements with banks and other financial institutions	957,158,772.67	1,518,309,881.66
Loans and advances to customers	8,277,972,270.14	8,439,429,527.25
Less: Allowance for expected credit losses on loans to customers	(129,134,745.28)	(139,191,127.53)
Net loans and advances to customers	8,148,837,524.86	8,300,238,399.72
Financial investments at FVTPL	40,390,060.93	-
Financial investments at amortised cost	416,063,889.21	745,306,077.10
Less: Allowance for expected credit losses on debt investments	(1,160,422.15)	(1,374,948.62)
Net financial investments at amortised cost	414,903,467.06	743,931,128.48
Financial investments at FVTOCI	5,996,580,987.44	4,349,690,256.63
Other financial assets	166,160,418.40	12,182,460.47
Derivative financial assets	122,715,885.92	74,158,364.46
Sub-total of on-balance sheet items	16,221,846,156.79	15,274,969,026.43
Off-balance sheet items	1,607,532,208.11	1,765,194,726.22
Total	17,829,378,364.90	17,040,163,752.65

1.2 Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient assets in time at a reasonable cost to repay the due debts, fulfill other payment obligations and meet other capital needs of normal business. The Bank's liquidity risk mainly comes from depositors' early or concentrated withdrawals,

borrowers' deferred repayment of loans, mismatch between the amount and maturity of assets & liabilities, financial instruments that are not easily convertible to cash, etc. Liquidity risk is an inherent risk in all bank operations and may be affected by a variety of industry-specific or market-wide events.

The Bank monitors the liquidity ratio on a daily basis, manages the liquidity maturity gap on a monthly basis, and reports the management overview to the Board of Directors, Special Committee and Asset/Liability Management Committee. The Bank's liquidity management procedures are managed by the fund dispatching department and monitored by an independent risk management department. The procedure includes (1) daily fund dispatching, monitoring future cash flows to ensure that requirements are met; (2) maintaining an appropriate amount of high-quality liquid assets that can be easily convertible to cash to cushion unexpected events that may disrupt cash flows. (3) monitoring the liquidity ratio of the balance sheet in accordance with internal management purposes and external regulatory regulations; (4) managing the maturity matching of assets and liabilities. Thus, the future capital flows are monitored and recorded in the form of measurements and forecasts.

The bank holds cash, high-quality and interest-generating assets with high liquidity to meet payment obligations and potential emergency fund dispatch needs in the market environment. Assets available to repay all liabilities and to fulfill loan commitments include: Cash and balances with central bank, balances with banks, placements with banks and other financial institutions, loans and advances to customers, financial investments and other receivables. In the normal course of operation, most of the maturing deposits will not be withdrawn immediately on the maturity date but will remain in the Bank, and financial investments at FVTOCI can be disposed of to obtain funds when necessary to repay maturing debts.

1.2.1 The undiscounted contractual cash flows by maturity date

The following table shows the structural distribution of the Bank's financial assets and financial liabilities at the balance sheet date to the contractual maturity date. The amount of financial assets and financial liabilities included in each period is the undiscounted contractual cash flow.

	31 December 2023							
	Overdue/Undated	On demand	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	743,934,592.67	506,283,135.18	-	-	-	-	-	1,250,217,727.85
Balances with banks	-	375,394,532.51	-	-	-	-	-	375,394,532.51
Placements with banks and other financial institutions	-	-	158,123,828.56	84,415,832.19	739,164,664.39	-	-	981,704,325.14
Loans and advances to customers	-	-	330,596,623.46	1,025,744,720.66	3,769,571,645.79	3,156,580,256.36	534,212,939.78	8,816,706,186.05
Financial investments at FVTPL	-	-	89,500.00	179,000.00	805,500.00	4,296,000.00	45,223,046.71	50,593,046.71
Financial investments at amortised cost	-	-	29,366,047.23	16,981,512.26	82,717,342.06	309,999,193.21	-	439,064,094.76
Financial investments at FVTOCI	-	-	233,860,839.45	67,226,008.47	601,508,558.69	1,075,835,462.83	5,207,513,858.57	7,185,944,728.01
Other financial assets	153,115,344.20	-	4,379,999.77	1,464,589.44	1,701,046.09	4,932,624.70	566,814.20	166,160,418.40
Total non-derivative financial assets	897,049,936.87	881,677,667.69	756,416,838.47	1,196,011,663.02	5,195,468,757.02	4,551,643,537.10	5,787,516,659.26	19,265,785,059.43
Derivative financial assets	-	-	38,797,431.35	47,176,271.84	36,342,618.68	399,564.05	-	122,715,885.92
Total financial assets	897,049,936.87	881,677,667.69	795,214,269.82	1,243,187,934.86	5,231,811,375.70	4,552,043,101.15	5,787,516,659.26	19,388,500,945.35

Non-derivative financial liabilities								
Deposits from banks and other financial institutions	-	53,298,356.87	-	-	-	-	-	53,298,356.87
Placements from banks and other financial institutions	-	-	2,067,272,103.65	184,226,283.93	236,074,566.67	-	-	2,487,572,954.25
Financial assets sold under repurchase agreements	-	-	1,401,851,479.45	-	-	-	-	1,401,851,479.45
Deposits from customers	-	6,161,939,635.08	1,064,708,205.91	2,345,212,437.81	1,551,047,302.43	666,324,268.41	-	11,789,231,849.64
Lease liabilities	-	-	1,632,996.29	2,166,493.10	20,020,912.92	56,861,514.53	6,994,696.00	87,676,612.84
Debt securities issued	-	-	59,934,924.89	-	-	-	-	59,934,924.89
Other financial liabilities	-	-	8,451,823.26	4,000,829.58	-	2,449,936.00	131,001.21	15,033,590.05
Total non-derivative financial liabilities	-	6,215,237,991.95	4,603,851,533.45	2,535,606,044.42	1,807,142,782.02	725,635,718.94	7,125,697.21	15,894,599,767.99
Derivative financial liabilities	-	-	33,257,503.76	41,535,922.96	63,527,969.73	1,115,867.87	-	139,437,264.32
Total financial liabilities	-	6,215,237,991.95	4,637,109,037.21	2,577,141,967.38	1,870,670,751.75	726,751,586.81	7,125,697.21	16,034,037,032.31
Net position	897,049,936.87	(5,333,560,324.26)	(3,841,894,767.39)	(1,333,954,032.52)	3,361,140,623.95	3,825,291,514.34	5,780,390,962.05	3,354,463,913.04
Off-balance sheet items - banking facilities commitments	-	-	76,416,910.23	53,831,357.92	328,750,442.71	488,121,615.40	-	947,120,326.26
Capital commitments	-	-	195,000	1,452,952.38	4,935,521.21	1,486,892.40	-	8,070,365.99

	31 December 2022							
	Overdue/Undated	On demand	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central bank	764,297,526.26	705,044,351.58	-	-	-	-	-	1,469,341,877.84
Balances with banks	-	278,323,495.01	-	-	-	-	-	278,323,495.01
Placements with banks and other financial institutions	-	-	1,016,441,884.91	114,277,541.57	365,094,761.98	48,904,308.22	-	1,544,718,496.68
Loans and advances to customers	-	-	760,031,192.72	780,084,586.85	3,538,776,696.93	3,419,712,101.74	558,576,035.44	9,057,180,613.68
Financial investments at FVTPL	-	-	-	-	-	-	-	-
Financial investments at amortised cost	-	-	51,410,176.57	102,615,682.05	220,084,108.74	333,115,446.95	63,946,572.45	771,171,986.76
Financial investments at FVTOCI	-	-	1,568,495,827.31	53,001,465.83	559,191,578.65	1,084,790,818.72	1,307,442,970.00	4,572,922,660.51
Other financial assets	-	-	1,298,785.79	1,389,468.58	2,340,325.54	7,153,880.56	-	12,182,460.47
Total non-derivative financial assets	764,297,526.26	983,367,846.59	3,397,677,867.30	1,051,368,744.88	4,685,487,471.84	4,893,676,556.19	1,929,965,577.89	17,705,841,590.95
Derivative financial assets	-	-	14,486,446.24	27,764,065.65	31,907,852.57	-	-	74,158,364.46
Total financial assets	764,297,526.26	983,367,846.59	3,412,164,313.54	1,079,132,810.53	4,717,395,324.41	4,893,676,556.19	1,929,965,577.89	17,779,999,955.41

Non-derivative financial liabilities								
Deposits from banks and other financial institutions	-	285,745,754.89	-	-	-	-	-	285,745,754.89
Placements from banks and other financial institutions	-	-	1,789,851,261.04	961,661,892.31	298,131,839.26	-	-	3,049,644,992.61
Financial assets sold under repurchase agreements	-	-	1,211,885,589.05	201,089,095.89	-	-	-	1,412,974,684.94
Deposits from customers	-	5,654,687,059.04	1,267,430,758.67	2,259,481,359.78	1,021,699,054.68	191,785,037.91	-	10,395,083,270.08
Lease liabilities	-	-	1,016,165.82	4,975,639.55	15,248,055.80	61,382,588.90	10,769,633.69	93,392,083.76
Other financial liabilities	-	-	2,082,314.70	4,078,545.41	-	2,449,936.00	123,702.82	8,734,498.93
Total non-derivative financial liabilities	-	5,940,432,813.93	4,272,266,089.28	3,431,286,532.94	1,335,078,949.74	255,617,562.81	10,893,336.51	15,245,575,285.21
Derivative financial liabilities	-	-	17,370,768.57	44,640,657.84	44,223,910.76	-	-	106,235,337.17
Total financial liabilities	-	5,940,432,813.93	4,289,636,857.85	3,475,927,190.78	1,379,302,860.50	255,617,562.81	10,893,336.51	15,351,810,622.38
Net position	764,297,526.26	(4,957,064,967.34)	(877,472,544.31)	(2,396,794,380.25)	3,338,092,463.91	4,638,058,993.38	1,919,072,241.38	2,428,189,333.03
Off-balance sheet items - banking facilities commitments	-	-	98,897,320.00	-	602,202,084.12	188,010,043.63	-	889,109,447.75
Capital commitments	-	-	798,205.10	1,330,833.33	5,020,166.67	3,606,584.82	-	10,755,789.92

1.3 Market risk

Market risk refers to the risk of losses in a bank's on-balance sheet and off-balance sheet business due to adverse changes in market prices (Interest rates and exchange rates, etc.). Market risk exists in the trading and non-trading operations of the Bank. The objective of the Bank's market risk management is to maximise the rate of return under risk control by controlling market risk within a reasonable and tolerable range. The Bank's market risk mainly includes foreign exchange risk and interest rate risk.

The Bank's risk management objectives and limits are approved by the Board of Directors to monitor the Bank's market risk and tolerable losses. The Bank has established a market risk information system, which can effectively monitor the management of various limits and profit or loss assessments of the Bank's financial instruments, and report to the risk management committee and the Board of Directors for decision-making reference by the management.

1.3.1 Exchange rate risk

Exchange rate risk refers to the risk that assets, liabilities, and equity items denominated in foreign currency may suffer losses in the overall earnings of banks due to adverse changes in exchange rates. The Bank mainly conducts business in RMB and the functional currency is RMB. Part of the business is conducted in USD or other currencies. The Bank has a cautious preference for exchange rate risk and is prudent in taking risks, which has well adapted to the current development stage of the Bank. The current exchange rate risk management policies and systems are generally in line with regulatory requirements and the Bank's own management needs.

The foreign currency assets and liabilities of the Bank are presented by currency as follows:

	31 December 2023			
	USD equivalent to RMB	HKD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with central bank	197,220,400.19	45,311.00	-	197,265,711.19
Balances with banks	259,591,199.91	2,042,713.08	2,191,649.95	263,825,562.94
Placements with banks and other financial institutions	155,888,869.46	-	-	155,888,869.46
Loans and advances to customers	578,808,535.21	46,984,951.04	-	625,793,486.25
Financial investments at amortised cost	211,119,832.05	-	-	211,119,832.05
Financial investments at FVTOCI	704,989,050.63	-	-	704,989,050.63
Other financial assets	604,154.31	-	-	604,154.31
Derivative financial assets	2,413,500.85	-	-	2,413,500.85
Total financial assets	2,110,635,542.61	49,072,975.12	2,191,649.95	2,161,900,167.68
Financial liabilities:				
Placements from banks and other financial institutions	1,854,965,282.29	-	-	1,854,965,282.29
Deposits from customers	3,356,232,187.09	1,231,011.78	38,839,514.83	3,396,302,713.70
Other financial liabilities	537,153.03	-	-	537,153.03
Derivative financial liabilities	2,660,332.95	-	-	2,660,332.95
Total financial liabilities	5,214,394,955.36	1,231,011.78	38,839,514.83	5,254,465,481.97
Net position of financial assets and liabilities	(3,103,759,412.75)	47,841,963.34	(36,647,864.88)	(3,092,565,314.29)

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	31 December 2022			
	USD equivalent to RMB	HKD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with central bank	246,075,744.01	366,240.70	-	246,441,984.71
Balances with banks	205,449,623.11	1,842,132.37	451,817.07	207,743,572.55
Placements with banks and other financial institutions	445,734,400.00	-	-	445,734,400.00
Loans and advances to customers	1,503,010,269.48	27,711,024.74	69,095,037.36	1,599,816,331.58
Financial investments at amortised cost	385,793,878.56	-	-	385,793,878.56

Financial investments at FVTOCI	539,414,923.70	-	-	539,414,923.70
Other financial assets	-	-	-	-
Total financial assets	3,325,478,838.86	29,919,397.81	69,546,854.43	3,424,945,091.10
Financial liabilities:				
Placements from banks and other financial institutions	1,407,545,660.00	-	-	1,407,545,660.00
Deposits from customers	3,060,136,429.83	6,219,789.09	31,428,295.59	3,097,784,514.51
Other financial liabilities	3,199.61	0.03	-	3,199.64
Total financial liabilities	4,467,685,289.44	6,219,789.12	31,428,295.59	4,505,333,374.15
Net position of financial assets and liabilities	(1,142,206,450.58)	23,699,608.69	38,118,558.84	(1,080,388,283.05)

The following table shows the impact on the Bank's foreign exchange gains or losses in the event of a simultaneous appreciation of 5% or depreciation of 5% of the spot and forward exchange rates of the RMB against all foreign currencies:

	Increase (decrease) in foreign exchange gains or losses	
	2023	2022
Appreciation of 5%	154,628,265.71	54,019,414.15
Depreciation of 5%	(154,628,265.71)	(54,019,414.15)

The above sensitivity analysis is based on the static exchange rate risk structure of assets and liabilities. The analysis is based on the following assumptions:

(1)The sensitivity of each exchange rate refers to the foreign exchange gains or losses caused by exchange rate fluctuations of 5% in the closing (midpoint) exchange rate of each currency against RMB on the reporting day.

(2)Changes in the exchange rate of each currency refers to simultaneous and homogeneous fluctuations in the exchange rate of each currency against RMB;

The above impact on foreign exchange gains or losses is based on the assumption that the Bank's year-end exchange rate sensitivity position and exchange rate derivatives related to RMB remain unchanged in the current year. In practical operation, the Bank will adjust foreign currency positions and use appropriate derivative instruments based on the judgement of exchange rate trends to mitigate the impact of exchange rate risk. Therefore, the above impact may differ from the actual circumstances.

1.3.2 Interest rate risk - risk of changes in cash flows

The interest rate risk of the Bank mainly includes repricing risk, which is the risk caused by the mismatch between the agreed maturity date (fixed interest rate) and repricing date (floating interest rate) of interest-generating assets and interest-bearing liabilities.

At the balance sheet date, the repricing date or maturity date (the earlier of them) of financial assets and financial liabilities is as follows:

	31 December 2023						
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,052,952,016.66	-	-	-	-	197,265,711.19	1,250,217,727.85
Balances with banks	375,099,039.51	-	-	-	-	-	375,099,039.51
Placements with banks and other financial institutions	154,397,897.68	80,060,874.99	722,700,000.00	-	-	-	957,158,772.67
Loans and advances to customers	310,531,847.49	964,195,007.78	3,558,992,476.85	2,887,617,354.63	427,500,838.11	-	8,148,837,524.86
Financial investments at FVTPL	-	-	274,090.93	-	40,115,970.00	-	40,390,060.93
Financial investments at amortised cost	28,432,686.04	13,093,652.01	71,409,793.05	301,967,335.96	-	-	414,903,467.06
Financial investments at FVTOCI	229,015,577.66	83,842,003.87	497,042,468.44	521,082,662.47	4,665,598,275.00	-	5,996,580,987.44
Derivative financial assets	-	-	-	-	-	122,715,885.92	122,715,885.92
Other financial assets	-	-	-	-	-	166,160,418.40	166,160,418.40
Total financial assets	2,150,429,065.04	1,141,191,538.65	4,850,418,829.27	3,710,667,353.06	5,133,215,083.11	486,142,015.51	17,472,063,884.64
Deposits from banks and other financial institutions	-	53,298,356.87	-	-	-	-	53,298,356.87
Placements from banks and other financial institutions	2,062,713,466.35	182,793,773.50	230,723,377.73	-	-	-	2,476,230,617.58
Financial assets sold under	1,401,555,917.82	-	-	-	-	-	1,401,555,917.82

repurchase agreements							
Deposits from customers	7,174,678,788.32	2,333,936,217.17	1,531,949,043.31	628,185,391.75	-	-	11,668,749,440.55
Derivative financial liabilities	-	-	-	-	-	139,437,264.32	139,437,264.32
Lease liabilities	1,442,365.16	3,792,345.80	5,732,579.57	10,865,368.85	61,000,855.66	-	82,833,515.04
Debt securities issued	59,934,924.89	-	-	-	-	-	59,934,924.89
Other financial liabilities	-	-	-	-	-	15,033,590.05	15,033,590.05
Total financial liabilities	10,700,325,462.54	2,573,820,693.34	1,768,405,000.61	639,050,760.60	61,000,855.66	154,470,854.37	15,897,073,627.12
Net position of financial assets and liabilities	(8,549,896,397.50)	(1,432,629,154.69)	3,082,013,828.66	3,071,616,592.46	5,072,214,227.45	331,671,161.14	1,574,990,257.52

	31 December 2022						
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,222,899,893.13	-	-	-	-	246,441,984.71	1,469,341,877.84
Balances with banks	276,458,535.01	-	-	-	-	-	276,458,535.01
Placements with banks and other financial institutions	1,003,976,490.31	110,908,391.35	356,400,000.00	47,025,000.00	-	-	1,518,309,881.66
Loans and advances to customers	731,303,543.12	719,694,325.14	3,313,767,654.32	3,096,296,488.15	439,176,388.99	-	8,300,238,399.72
Financial investments at FVTPL	-	-	-	-	-	-	-
Financial investments at amortised cost	49,938,947.26	101,521,446.46	210,162,689.68	321,590,143.78	60,717,901.30	-	743,931,128.48
Financial investments at FVTOCI	1,567,227,142.80	40,359,255.99	542,815,449.88	891,845,437.96	1,307,442,970.00	-	4,349,690,256.63
Derivative financial assets	-	-	-	-	-	74,158,364.46	74,158,364.46
Other financial assets	-	-	-	-	-	12,182,460.47	12,182,460.47
Total financial assets	4,851,804,551.63	972,483,418.94	4,423,145,793.88	4,356,757,069.89	1,807,337,260.29	332,782,809.64	16,744,310,904.27
Deposits from banks and other financial institutions	-	285,745,754.89	-	-	-	-	285,745,754.89
Placements from banks and other financial institutions	1,786,873,525.44	955,185,151.56	290,884,943.13	-	-	-	3,032,943,620.13
Financial assets sold under repurchase agreements	1,211,635,835.63	200,584,630.14	-	-	-	-	1,412,220,465.77

Deposits from customers	6,819,218,712.57	2,248,066,114.07	1,008,792,248.12	182,469,097.69	-	-	10,258,546,172.45
Derivative financial liabilities	-	-	-	-	-	106,235,337.17	106,235,337.17
Lease liabilities	809,774.76	3,227,867.50	5,200,040.26	9,797,223.49	68,129,891.06	-	87,164,797.07
Other financial liabilities	-	-	-	-	-	8,734,498.93	8,734,498.93
Total financial liabilities	9,818,537,848.40	3,692,809,518.16	1,304,877,231.51	192,266,321.18	68,129,891.06	114,969,836.10	15,191,590,646.41
Net position of financial assets and liabilities	(4,966,733,296.77)	(2,720,326,099.22)	3,118,268,562.37	4,164,490,748.71	1,739,207,369.23	217,812,973.54	1,552,720,257.86

1.3.3 Interest rate risk - risk of changes in fair values

The Bank's exposure to changes in fair value of financial instruments due to changes in interest rates relates primarily to financial investments at FVTOCI with fixed interest rates (See Note VII.7 for details), and fixed-rate loans at FVTOCI (See Note VII.4 for details). For the above fixed-rate assets, the Bank's objective is to closely monitor the movement of the market yield curve, maintain an appropriate portfolio position in fixed-rate instruments to manage interest rate risk, and utilise derivatives like interest rate swaps to manage interest rate risk.

The following table illustrates the impact of a parallel upward or downward shift of 100 basis points in all currencies' yield rate on the net interest income and other comprehensive income, based on the structure of interest-generating assets and interest-generating liabilities at the balance sheet.

Changes in basis points of return	31 December 2023		31 December 2022	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
+ 100 basis points	(82,317,531.57)	(368,486,080.67)	(58,575,191.43)	(120,049,311.76)
- 100 basis points	82,317,531.57	404,522,323.06	58,575,191.43	127,493,948.09

The impact on net interest income represents the one-year impact on financial assets and liabilities held for repricing at the end of the year based on certain interest rate changes.

The impact on other comprehensive income represents the effect on changes in fair value arising from revaluation of Financial investments at FVTOCI with a fixed interest rate and fixed-rate loans at FVTOCI held at year end on the basis of certain change in interest rate.

The above sensitivity analysis assumes the yield of assets and liabilities (other than demand deposits) of various maturities shift up/down in parallel, therefore, it does not reflect the possible effect arising from that only certain interest rates changed while the rest interest rates remained unchanged. Such prediction is based on other simplified assumption, including all positions will be held to maturity. The Bank considers the change in the amount of the sensitivity analysis to be immaterial when the position is not held to maturity.

The assumption does not represent the Bank's use of fund and interest rate risk management policy, therefore, the above impact may differ from actual circumstances.

In addition, the above analysis of impact on interest rate changes is only as an illustration, showing the estimated changes in net interest income and other

comprehensive income under various expected yields scenarios and the Bank's current interest rate risk conditions. But the impact does not take into consideration of the risk management activities that the management may take to manage interest rate risk.

1.4 Use of derivatives

Derivatives include forward, swap and option transactions undertaken by the Bank in the foreign exchange and interest rate markets. The Bank's derivatives are all over-the-counter (OTC) derivatives.

The Bank enters into interest rate, currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Bank's financial instruments can be divided into cash flow hedge financial instruments and financial instruments at FVTPL based on the purpose for which they are held.

The Bank will choose appropriate hedging strategies and tools in light of the risk profile of interest rates or exchange rates of its assets and liabilities, as well as its analyses and judgement regarding future interest rates or exchange rate movements.

The Bank is exposed to foreign exchange risk when assets or liabilities denominated in foreign currencies. Such risk can be hedged through the use of forward foreign exchange contracts. The Bank uses interest rate swaps to hedge its cash flow risk against the interest rate risk of its RMB loan portfolio and interbank asset portfolio.

The following tables provide an analysis of the notional amounts and the corresponding fair value of derivatives of the Bank by residual maturity at each balance sheet date. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the balance sheet date, not representing amounts at risk.

	31 December 2023						
	Notional amounts analysed by residual maturity					Fair value	
	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives							
Interest rate swaps	2,699,040,000.00	820,000,000.00	-	-	3,519,040,000.00	309,065.58	309,065.58
Sub-total	2,699,040,000.00	820,000,000.00	-	-	3,519,040,000.00	309,065.58	309,065.58
Currency derivatives							
Currency	269,391,051.00	206,399,200.00	-	-	475,790,251.00	5,968,068.24	2,127,170.99

forwards							
Currency swaps	6,077,276,990.60	4,649,545,354.00	293,974,802.00	-	11,020,797,146.60	89,436,109.11	110,026,607.34
Currency options	1,639,117,354.56	1,632,678,600.62	-	-	3,271,795,955.18	26,975,269.87	26,974,420.41
Sub-total	7,985,785,396.16	6,488,623,154.62	293,974,802.00	-	14,768,383,352.78	122,379,447.22	139,128,198.74
Other derivatives							
Currency swaps	1,095,495.00	-	-	-	1,095,495.00	27,373.12	-
Total	10,685,920,891.16	7,308,623,154.62	293,974,802.00	-	18,288,518,847.78	122,715,885.92	139,437,264.32

31 December 2022							
	Notional amounts analysed by residual maturity					Fair value	
	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives							
Interest rate swaps	2,590,080,000.00	445,340,000.00	-	-	3,035,420,000.00	988,307.83	988,307.83
Sub-total	2,590,080,000.00	445,340,000.00	-	-	3,035,420,000.00	988,307.83	988,307.83
Currency derivatives							
Currency forwards	241,296,442.77	87,061,884.32	-	-	328,358,327.09	6,581,062.03	3,000,338.23
Currency swaps	5,355,850,116.32	3,350,498,017.00	-	-	8,706,348,133.32	66,582,745.35	102,240,441.86
Currency options	27,858,400.00	-	-	-	27,858,400.00	6,249.25	6,249.25
Sub-total	5,625,004,959.09	3,437,559,901.32	-	-	9,062,564,860.41	73,170,056.63	105,247,029.34
Total	8,215,084,959.09	3,882,899,901.32	-	-	12,097,984,860.41	74,158,364.46	106,235,337.17

2. Capital management

The Bank has two objectives of capital management: the first is to establish an effective capital management system in accordance with the relevant requirement of regulatory authorities; the second is to balance the relationship between risk control and business development through the principle of "capital bears the risk& capital earns the reward", so as to achieve the business goal of maximising shareholder value.

The capital of the Bank is jointly managed by the Planning and Finance Department and the Risk Management Department. The management procedure is to evaluate and adjust the plan or budget based on risk, reward, and growth rate through different risk measurement methods, determine the total capital demand,

and ultimately allocate capital to the different levels of the Bank and its branches. In essence, the entire process allocates risks to various levels through risk measurement, planning or budgeting, total capital balance, and economic capital allocation, achieving a combination of risk and bank capital management, risk management, business decision-making, and performance considerations.

3. Fair value

3.1 Assets measured at fair value

3.1.1 The three levels of fair value measurements are analysed as follows:

Item	31 December 2023			
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	**Total**
Financial investments at FVTPL	-	40,390,060.93	-	40,390,060.93
Financial investments at FVTOCI	704,989,050.63	5,291,591,936.81	-	5,996,580,987.44
Derivative financial assets	-	122,715,885.92	-	122,715,885.92
Derivative financial liabilities	-	139,437,264.32	-	139,437,264.32

Item	31 December 2022			
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	**Total**
Loans and advances to customers at FVTOCI	-	4,652,174.17	-	4,652,174.17
Financial investments at FVTPL	-	-	-	-
Financial investments at FVTOCI	541,466,847.18	3,808,223,409.45	-	4,349,690,256.63
Derivative financial assets	-	74,158,364.46	-	74,158,364.46
Derivative financial liabilities	-	106,235,337.17	-	106,235,337.17

3.1.2 Quantitative information about Level 2 fair value measurements

		31 December 2023 Fair value	31 December 2022 Fair value	Valuation techniques	Significant input
Loans and advances to customers at FVTOCI		-	4,652,174.17	Discounted cash flow method	Yield curve on rediscounted bank acceptances
Financial investments at FVTPL		40,390,060.93	-	Valuation by third-party quotation agencies	Bond valuation by CCDC on the valuation date
Financial investments at FVTOCI		5,291,591,936.81	3,808,223,409.45	Valuation by third-party quotation agencies	Bond valuation by CCDC on the valuation date
Interest rate swaps	ASSETS	309,065.58	988,307.83	Discounted cash flow method	Discount rate curve, forward rate curve and volatility related to RMB and USD, etc.
	Liabilities	309,065.58	988,307.83		
Currency forwards	ASSETS	5,968,068.24	6,581,062.03	Discounted cash flow method and mark-to-market method	Discounted cash flow method: Use Shibor for RMB within 1 year and swap rate curve for RMB over 1 year; The implied currency interest rate curve of relevant currencies is adopted for the USD and other currencies; Mark-to-market method: Spot exchange rates and swap points in the foreign exchange market of China Foreign Exchange Trade System
	Liabilities	2,127,170.99	3,000,338.23		
Currency swaps	ASSETS	89,436,109.11	66,582,745.35	Discounted cash flow method	
	Liabilities	110,026,607.34	102,240,441.86		
Cross-currency swaps	ASSETS	27,373.12	-	Discounted cash flow method	
Foreign exchange options	ASSETS	26,975,269.87	6,249.25	Black-Scholes option pricing model	Spot market price, currency interest rate curve or implied volatility curve
	Liabilities	26,974,420.41	6,249.25		

3.2 Fair value information

Fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

The Bank's financial assets and liabilities measured at amortised cost include cash and balances with central bank, balances with banks, placements with banks and other financial institutions, loans and advances to customers measured at amortised cost, financial investments at amortised cost, other financial assets, deposits from banks and other financial institutions, placements from banks and other financial institutions, deposits from customers, financial assets sold under repurchase agreements, debt securities issued and other financial liabilities. The management considers that the carrying amounts of financial assets and financial liabilities approximate their fair values.

XI. ENTRUSTED LOANS BUSINESS

The Bank's entrusted loans are loans that are financed by the enterprise (the principal) and are issued, supervised, and recovered in accordance with the loan recipients and loan conditions as determined by the principal.

The entrusted loans business does not expose the Bank to any credit risk. As instructed by the principals, the Bank holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted loans are not assets of the Bank and are not recognised in the balance sheet. Income received and receivable for providing relevant services are recognised in the income statement as fee and commission income.

At the balance sheet date, the entrusted assets and liabilities are as follows:

Entrusted loans	31 December 2023	31 December 2022
Enterprise entrusted loans	210,000,000.00	210,000,000.00
Entrusted loan funds	(210,000,000.00)	(210,000,000.00)

XII.EVENTS AFTER THE BALANCE SHEET DATE

As at the approval date of the financial statement, the Bank has no significant events after the balance sheet date to be disclosed.

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1. Disclosure of capital composition

The management of the Bank adopts the management measures issued by the China Banking and Insurance Regulatory Commission ("CBIRC") in accordance with the guidance of the Basel Committee to monitor capital adequacy ratio and regulate the use of statutory capital on a quarterly basis. The required information is submitted to the CBIRC on a quarterly basis.

The Bank calculates the capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by the CBIRC. Therein, credit risk is measured using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach.

The CBIRC requires that the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of commercial banks shall not be less than 7.5%, 8.5% and 10.5%, respectively. The capital composition of the Bank is as follows:

Core tier 1 capital: paid-in capital, capital reserve, other comprehensive income attributable portion, retained profits, surplus reserve and general reserve;

Other tier 1 capital: The Bank does not have any other tier 1 capital;

Tier 2 capital: loss allowance for over loan.

Net capital is calculated by deducting capital deductions from each level of capital in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).

The leverage ratio is calculated in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) issued by the CBIRC.

Unit: RMB Ten Thousand

	31 December 2023	31 December 2022
Total weighted risk assets	1,780,951.16	1,618,340.12
Including: Credit risk weighted assets	1,407,852.16	1,443,185.08
Market risk weighted assets	311,416.99	117,022.32
Operational risk weighted assets	61,682.01	58,132.72
Net capital	235,001.19	228,132.02
Including: Net core tier 1 capital	222,219.51	214,273.77
Net tier 2 capital	12,781.68	13,858.25
Balance of adjusted on-balance sheet and off-balance sheet assets	2,359,766.80	1,981,322.49
Core tier 1 capital adequacy ratio	12.48%	13.24%
Tier 1 capital adequacy ratio	12.48%	13.24%
Capital adequacy ratio	13.20%	14.10%
Leverage ratio	9.42%	10.81%

Note: The above data is calculated and disclosed according to regulatory requirements and is unaudited.

2. High-quality liquidity asset adequacy ratio

As at 31 December 2023, in accordance with the Administrative Measures for the Liquidity Risk of Commercial Banks (for Trial Implementation) and Instructions for Filling in Off-Site Regulatory Statements issued by CBIRC, the Bank calculated the high-quality liquidity asset adequacy ratio, high-quality liquidity assets and possible cash outflows as follows:

Unit: RMB Ten Thousand

	31 December 2023	31 December 2022
High-quality liquidity asset	426,433.80	331,732.92
Possible cash outflows	427,481.98	396,114.95
Including: General deposits	350,391.85	315,378.24
Financial institution business	64,019.62	65,307.36
Other items	13,070.51	15,429.35
Possible cash inflows	84,614.82	163,260.87
Including: Loans	16,397.84	37,669.26
Financial institution business	58,313.03	125,591.61
Investment bonds	9,903.95	-
Net possible cash outflows (Note)	342,867.16	232,854.08
High-quality liquidity asset adequacy ratio	124.37%	142.46%

Note: Net possible cash outflows=possible cash outflows-MIN (possible cash inflows, possible cash outflows*0.75)

The above data is calculated and disclosed according to regulatory requirements and is unaudited.

Appendix United Nations Sustainable Development Goals (SDGs) Achievement Comparison Table

SDGs	Sub-Goals	The bank's Achievement
1.No Poverty	1.B Support accelerated investment in poverty reduction actions.（U）[1]	（s）[3]Provides ongoing financial support to rural primary schools. （s）Supports the development of inclusive finance and SMEs.
3.Good Health and Well-being	3.8 Achieve universal health coverage.（U）	（s） Offers a range of benefits to all employees, including statutory social insurance, commercial insurance, and health check-ups. In 2023, the labor insurance premium was 10.96 million RMB, and the commercial insurance premium was 270,000 RMB.
4.Quality Education	4.3 Ensure equitable and affordable access to quality education for all.（U） 4.4 Substantially increase the number of people with relevant skills for employment, decent work, and entrepreneurship.（U） 4.5 Ensure that vulnerable groups have access to education.（U） 4.7 Ensure all learners acquire knowledge and skills needed to promote sustainable development, including education for sustainable development, appreciation of cultural diversity, and heritage.（U）	（s）Continues to support rural primary schools to improve their teaching environment and resources. （s）Regularly holds training programs for new hires, management capability training, and RM/ARM (Risk Management/Asset and Risk Management) training, covering business knowledge and risk management. （s） In 2023, a total of 57,990 RMB was distributed to 11 employees as professional certification award subsidies.
5.Gender Equality	5.1 End all forms of discrimination against women and girls.(U) 5.4 Recognize and value unpaid care and domestic work.（U） 5.5 Ensure women's full and effective participation in all levels of decision-making in political, economic, and public life.（U）	（s）For three consecutive years, the bank has maintained a female employee ratio of over 50%. （s）The bank Offers 178 days of maternity leave (or 208 days in case of difficult childbirth), with an additional ten days of parental leave added in 2023. （c）4 Female directors account for 22.22%, and female senior management accounts for 17.65% of the total.
8.Decent Work and Economic Growth	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation.（U） 8.3 Provide access to financial services for SMEs, and encourage their growth.（U） 8.8 Protect labor rights and promote safe working environments for all workers, particularly women.（U） 8.10 Encourage and expand access to banking services for all.（U）	（s）In 2023, the bank provided inclusive small and micro loans to 20 clients, with a loan balance of 94.86 million RMB. （s）The bank's policy of fee reduction and concession has benefited 1,147 SMEs and individual business households, amounting to 210,000 RMB. （s）For three consecutive years, the bank has maintained a female employee ratio of over 50%.
10.Reduced Inequalities	10.2 Facilitate orderly, safe, and responsible migration and mobility of people.（U）	（s）The bank employs six ethnic minority individuals, includes two female directors (including the chairperson) on the board of directors, has a female employee ratio of 56.62%, and has recruited one person with disabilities.
11.Sustainable Cities and Communities	11.6 Reduce the environmental impact per person in cities.（U）	（s）Annually organizes environmental volunteer activities, inviting employees to clean up the community near the workplace, raising awareness and establishing a culture and measures for environmental protection and energy saving, and inviting suppliers to participate in environmental activities.
12.Responsible Consumption and Production	12.5 Significantly reduce waste generation through prevention, reduction, recycling, and reuse.（U） 12.6 Encourage companies to adopt sustainable practices and integrate sustainability information into their reporting cycle.（U）	（s）In 2023, the bank's water, electricity, and oil consumption was 1,849.75 cubic meters, 603,858.18 kilowatt-hours, respectively, which is a decrease of 11.7% and 13.51% compared to 2022. （s）In 2023, the bank implemented electronic account opening, using AI-OCR (Artificial Intelligence - Optical Character Recognition), RPA (Robotic Process Automation), and other technologies to improve efficiency, reduce manual work such as customer form filling and employee system entry, and increase the proportion of electronic transactions. Additionally, the bank integrated HR attendance and official document management into the Office Automation (OA) platform in 2023, reducing operational costs.
13.Climate Action	13.2 Integrate climate change measures into policy planning.（U） 13.3 Improve the capacity of institutions and individuals to respond to climate change.（U） 13.3.2 Promote behavior change in individuals and communities towards low-carbon actions (Conditional).（C）[2]	（c）In 2023, there were 20 ESG-linked loans with a balance of 660.61 million RMB, 20 green credit loans with a balance of 241.01 million RMB, and 8 photovoltaic loans with a balance of 83.98 million RMB. （c）Organized a "Green Health Walk, Energy-saving E.SUN Walk" stair-climbing event, with 52 participants, reducing elevator rides by 638 times during the event, and carbon emissions by approximately 139.08 kilograms.
16.Peace, Justice, and Strong Institutions	16.6 Develop effective, accountable, and transparent institutions at all levels.（U） 16.7 Ensure responsive, inclusive, participatory, and representative decision-making at all levels.（U）	（c）A total of one employee has obtained the internationally recognized Certified Anti-Money Laundering Specialist (CAMS) certification. （c）In 2023, a total of 202 employees obtained anti-money laundering position qualification training certificates.

Note 1 U refers to United Nations indicators;

Note 2 C refers to mainland China indicators;

Note 3 s refers to social indicators;

Note 4 c refers to commercial indicators.

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