

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



CHINA BOHAI BANK CO., LTD.

渤海銀行股份有限公司

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

(Stock Code: 9668)

2022 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of CHINA BOHAI BANK CO., LTD. (the “**Bank**”) hereby announces the audited consolidated results of the Bank and its subsidiary for the year ended December 31, 2022. This announcement, containing the full text of the 2022 annual report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to information to accompany preliminary announcements of annual results.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Chinese and English versions of this results announcement are available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The printed version of the Bank's 2022 annual report will be despatched to the holders of H shares of the Bank subsequently and will be available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn) in due course.

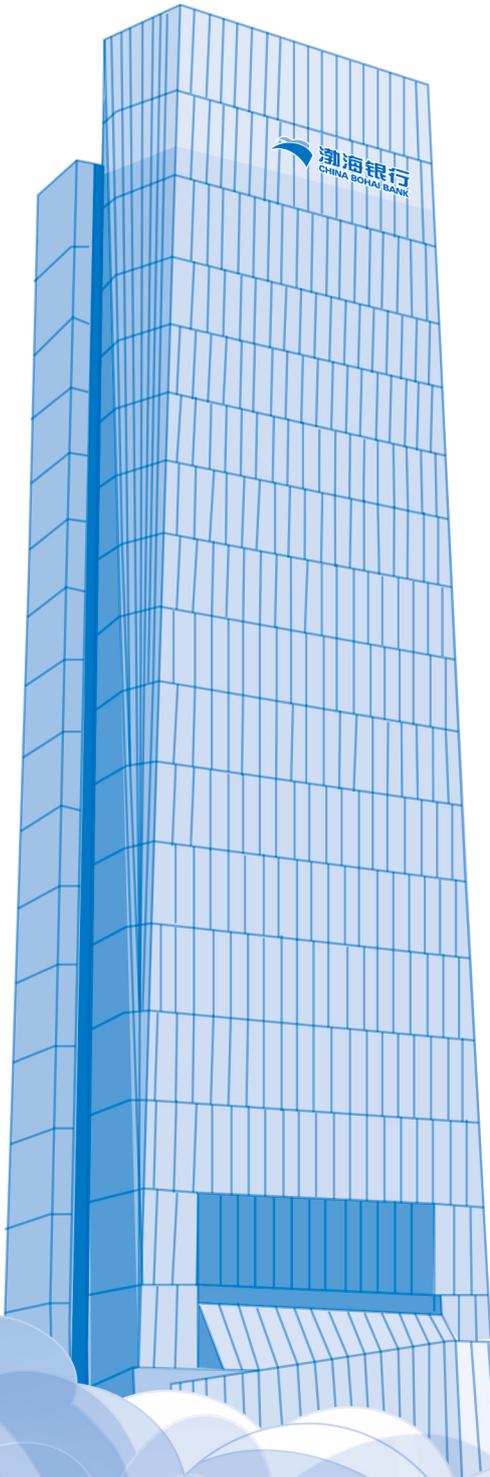
By order of the Board
CHINA BOHAI BANK CO., LTD.
LI Fuan
Chairman

Tianjin, China
March 29, 2023

As of the date of this announcement, the Board comprises Mr. LI Fuan, Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong as executive directors; Mr. FUNG Joi Lun Alan, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin and Mr. ZHANG Yunji as non-executive directors; and Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick as independent non-executive directors.

Contents

2	Definitions
4	Important Notice
5	Chairman's Statement
6	President's Statement
7	Statement of the Chairman of the Board of Supervisors
8	Corporate Profile
9	Awards and Ranking
10	Summary of Accounting Data and Financial Indicators
14	Management Discussion and Analysis
66	Changes in Share Capital and Information on Shareholders
71	Directors, Supervisors, Members of Senior Management, Employees and Branches
85	Corporate Governance
110	Report of the Board of Directors
120	Report of the Board of Supervisors
127	Important Events
131	Audit Report and Financial Report
276	Organizational Structure Chart



Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank or PBoC	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
Commercial Banking Law	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法)
Company Law	the Company Law of the PRC (中華人民共和國公司法)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
date of this annual report	the date on which this annual report was considered and approved by the Board of Directors of the Bank
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
Fourth "Five-Year Plan"	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Group, our Group	the Bank and its subsidiary
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange

HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards, International Accounting Standards (“IAS”), the related standards, amendments and interpretations issued by the International Accounting Standards Board (“IASB”)
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Reporting Period	the year ended December 31, 2022
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People’s Government



Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of senior management of the Bank undertake that the information contained in this annual report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this annual report.

The Bank considered and approved the Annual Report 2022 of the Bank at the 44th meeting of the fifth session of the Board of Directors held on March 29, 2023. 15 Directors should attend the meeting, among which 15 Directors actually attended, of which, Mr. YE Baishou (non-executive Director) authorized Ms. YUAN Wei (non-executive Director) to exercise his voting right. 5 Supervisors of the Bank attended the meeting.

Mr. LI Fuan, the legal representative and chairman of the Board of Directors of the Bank, Mr. QU Hongzhi, the president of the Bank, Mr. DU Gang, the person in charge of accounting affairs of the Bank, and Mr. WANG Fenglei, the person in charge of accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

The Profit Distribution Proposal for 2022 of the Bank has been considered and approved at the 44th meeting of the fifth session of the Board of Directors, and the Bank will not perform dividend distribution for 2022. Such profit distribution proposal shall be subject to the consideration and approval of the Shareholders' general meeting. For details, please refer to "Report of the Board of Directors: Profit Distribution" in this annual report.

The Group's 2022 Annual Financial Reports prepared in accordance with the China Accounting Standards for Business Enterprises (中國企業會計準則) and IFRS have been audited by KPMG Huazhen LLP and KPMG in accordance with the Auditing Standards for Certified Public Accountants of China and Hong Kong Auditing Standards, respectively, and standard unqualified audit reports were issued.

Forward-looking statements such as future plans contained in this annual report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This annual report describes in detail the major risks that the Group faces in its operational management, as well as the corresponding measures taken by the Group. For details, please refer to the section "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report.

Unless otherwise stated, the financial data and indicators contained in this annual report are prepared in accordance with IFRS, and are consolidated data of the Group and denominated in Renminbi (RMB). Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This annual report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.



Chairman's Statement

The year of 2022 is an unusually important year for China! In this year, the successful convening of the 20th National Congress of the Communist Party of China painted a grand blueprint for building a socialist modern country in an all-round way and started a new journey of comprehensively promoting the great Chinese nation rejuvenation with Chinese-style modernization. In this year, under the global background of the Ukrainian crisis, the great changes that had never happened in a hundred years accelerated and the global economic growth expectation continued to weaken, which brought unprecedented impacts and challenges to China enterprises.

Facing the impacts and challenges, how can we weather through as a young joint-stock commercial bank with a history of 18 years? Our answer was to insightfully recognize changes, take the initiative to respond to changes, and diligently seek changes. We continued to promote the implementation of the Fourth "Five-Year Plan", kept making efforts to transform into a retail bank, a transaction bank and an asset-light bank, and unwaveringly regarded transformation as the commanding baton and compass for the management and business development across the Bank.

In 2022, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank deeply promoted innovation and transformation, strengthened internal control and compliance construction, steadily increased asset scale, continuously optimized business structure, incessantly improved risk control management, maintained stable asset quality, and achieved remarkable results in transformation and development. The Bank was approved for the opening of the Capital Operation Center and a wealth management subsidiary, successfully launched the mobile banking 6.0 and Bohai on the Palm, and basically completed the planning of "Seven New Infrastructure Construction". The Bank was the first batch of corporate financial institutions in China and the only one headquartered in Tianjin that had obtained the qualification to start personal pension business. The Company won the "Top 10 Transaction Banking Innovation Award (十佳交易銀行創新獎)", "Top 10 Risk Management Innovation Award (十佳風險管理創新獎)", "Excellent Wealth Management Bank (卓越財富管理銀行)", "Excellent Bank for Transformation Development (卓越轉型發展銀行)" and "Bank with Outstanding Investment Return (卓越投資回報銀行)". Moody's and Standard & Poor's, two international authoritative rating agencies, once again gave the Bank double "investment grade" rating. Look back on 2022, we are firmly on our way to becoming the "modern wealth and treasury manager offering the best experience (最佳體驗的現代財資管家)".

Seeking change and transformation will be a winding and long journey, and we have in our mind a bright and grand future. We are determined to move forward and examine all the way. For the constant new challenges due to the lack of refined management and an extensive business development model, we will strive to draw strength from the past and gain resilience from setbacks. We will unwaveringly practice the values of taking "customer first, struggle-oriented, agility as the essence, innovation as the soul, and compliance as the lifeblood (客戶為先, 奮鬥為本, 敏捷為要, 創新為魂, 合規是命)", and engrave them in the soul of every Bohai employee, so that the values can provide the driving force for our change and transformation.

Banking the world to gather strength and starting our new journey. In 2023, we will comprehensively promote the implementation of the spirit of the 20th National Congress of the Communist Party of China and the Central Economic Work Conference, insist on the principle of stability and seeking progress while maintaining stability, keep the bottom line of compliance, deepen compliance review, adhere to customer first and service first, seize strategic opportunities, focus on advantageous industries, and shoulder our social responsibility as a state-owned enterprise. We will persist in leading China Bohai Bank with hope to fight against the difficulties and strive for a steady and long journey. We are willing to work hand in hand with investment institutions and all sectors of society to continuously build a world-class and China-leading public bank with strong innovation capability and differentiated competitive advantage.



A handwritten signature in black ink, consisting of the Chinese characters '李伏波' (Li Fuan).

Li Fuan
Chairman
March 29, 2023

President's Statement



In 2022, the world's profound changes unseen in a century accelerated. The international situation was ever-changing, and domestic economic development was faced with triple pressures of shrinking demand, disrupted supply, and weakening expectations. The senior management of China Bohai Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, insisted on the general tone of stability and seeking progress while maintaining stability, effectively responded to various risks and challenges, focused on party building to promote operations, controlled risks to ensure development, and reduced costs for stable profitability. According to the deployment requirements of the party committee of the head office and the Board of Directors, the operation and development across the Bank was within a reasonable range with an overall stable and positive trend.

As of the end of the reporting period, our total assets amounted to RMB1,659.460 billion, representing a year-on-year increase of 4.85%; total liabilities amounted to RMB1,549.509 billion, representing a year-on-year increase of 4.97%; net assets amounted to RMB109.951 billion, representing a year-on-year increase of 3.18%. Net assets per share attributable to ordinary Shareholders of the Bank was RMB5.07, representing an increase of RMB0.19 as compared to the end of the previous year. The non-performing loan ratio of the Bank was 1.76%, which was the same as that of the previous year. Positive results were also achieved in key tasks related to strengthening weak links, laying the

foundation, promoting transformation, and benefiting the long-term. The "seven basic management projects" helped development and upgrading, digital transformation achieved fruitful results, the disposal of problematic assets accelerated, and institutional construction achieved a historic breakthrough. With structural adjustment and replacement of growth drivers promoted in depth, the quality and efficiency of serving the real economy continued to improve.

The year of 2023 will still be a year full of challenges. We will fully implement the spirit of the 20th National Congress of the Communist Party of China and the Central Economic Work Conference, stick to the original financial aspiration, firmly grasp the political and people-oriented nature of financial work, and insist on serving the national strategy with finance, serving the real economy, serving the people's livelihood and Chinese-style modernization. We will resolutely and proactively implement the requirements of reasonable profit-sharing with the real economy, and fully integrate the "original aspiration to develop finance" into operation management and business development. We firmly believe in development and promote the Bank's business development to resonate with the implementation of national strategies and economic development. Based on the main economic work tasks such as continuously improving technological innovation capabilities, building a modern industrial system, promoting green transformation in terms of development, and securing the bottom line of people's livelihood, we will strive to benefit the world, and continue to add financial momentum in areas such as supporting technological innovation, small and micro enterprises, green development, and rural revitalization.

The year of 2023 is also a critical period for China Bohai Bank's transformation and development, a shifting period for improving quality and efficiency, and a painful period for structural adjustment. With the pain facilitating changes, we will not waver in the strategy of transformation and revitalization, and maintain sufficient patience and determination in the strategy implementation, and work hard for transformation. Through continuous efforts and long-term efforts, we will promote the high-quality and in-depth strategic mission of "thriving bank by customers, developing bank by deposit, enriching bank by intermediate business income, strengthening bank by technology, leading bank by innovation and protecting bank by risk control".

With the difficulties along the way, we are now surpassing. We will give more prominence to the fundamental direction led by party building, the core tasks of stabilizing growth, the traction and leverage of strategic transformation, the fundamental principle of prudence and steadiness, the effective drive of technological innovation, and the implementation of market-oriented institutional mechanisms. With the spirit of drawing a blueprint to the end, we will ensure the successful achievement of the development goals across the Bank in 2023, and secure the contribution to serve the national economic construction!

QU Hongzhi
President
March 29, 2023

Statement of the Chairman of the Board of Supervisors

In 2022, the successful convening of the 20th National Congress of the Communist Party of China sound a clarion call of the times for us forging ahead on a new journey. Over the past year, the Board of Supervisors of Bohai Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era be maintained, thoroughly studied, publicized and practiced the spirit of the 20th National Congress of the Communist Party of China, and resolutely implemented the decisions and deployments of the Party Central Committee as well as the work requirements of the Tianjin Municipal Party Committee and Tianjin Municipal Government. Firmly grasping the general principle of pursuing progress while ensuring stability, closely focusing on the goals and objectives of Bohai Bank to achieve high-quality development, and faithfully performing the duties under the laws and regulations and the Articles of Association. The Board of Supervisors of the Bank stayed united to forge ahead with courage, continuously improved the quality and efficiency of supervision, playing a positive role in the specific practice of promoting the stability and long-term development of the whole Bank.



During the Reporting Period, the Board of Supervisors of the Bank earnestly performed its supervisory functions and concentrated on advancing the high-quality transformation and development of the Bank. It improved the duty performance supervision and urged the Board of Directors and senior management to perform duties in a standardized manner; enhanced the financial supervision and paid close attention to the Bank's important financial decisions and their implementation; enhanced the internal control and supervision and promoted the continuous optimization of internal control and compliance management system; optimized risk management supervision and highlighted the basis of comprehensive risk management as well as the supervision of major risk management and control; and strengthened self-construction and convened meetings in compliance with laws and regulations to enhance the effectiveness of special supervision on special meetings. In addition, the Board of Supervisors carried out self-evaluation and performance assessment of Supervisors, optimized the work system of the Board of Supervisors, organized research and special trainings for Supervisors and strengthened coordination and linkage to continuously improve the work level of the Board of Supervisors.

Just as polishing makes jade finer, adversity makes one stronger. 2023 marks the first year of full implementation of the spirit of the 20th National Congress of the Communist Party of China. Since "The beginning affects the overall situation, the start is the determining factor of following process", the Bank's Board of Supervisors will unite more closely around the Party Central Committee with Comrade Xi Jinping at the core, and conscientiously study and implement the economic thought of President Xi Jinping and the spirit of the Central Economic Work Conference. It will deeply understand the decisive significance of the "Two Establishments", strengthen the "Four Consciousnesses", firmly establish the "Four Confidences" and achieve the "Two Upholds". Adhering to the general principle of pursuing progress while ensuring stability, the Board of Supervisors will firmly implement transformation and revitalization, and properly perform various works with vigor and vitality as well as the sense of responsibility of "keep worrying all time", thus boosting the high-quality development of the whole Bank with practical performance, attaining new accomplishments and achieving excellent results.

A handwritten signature in black ink, appearing to be 'Wang Chunfeng', written in a cursive style.

WANG Chunfeng
Chairman of the Board of Supervisors
March 29, 2023

Corporate Profile

- I. Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: 渤海銀行)
- II. Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: CBHB)
- III. Legal Representative:** LI Fuan
- IV. Authorized Representatives:** DU Gang and SO Shuk Yi Betty
- V. Secretary to the Board of Directors:** DU Gang
Joint Company Secretaries: DU Gang and SO Shuk Yi Betty
- VI. Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China
Postcode: 300012
International Website: www.cbhb.com.cn
Customer Service and Complaints Hotline: (86) 95541, (86) 400 888 8811
E-mail: IR@cbhb.com.cn
Tel: (86) 22-5878 9668
Fax: (86) 22-5831 6529
- VII. Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. Websites for Information Disclosure:** website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)
Place where the annual report is kept: Office of the Board of Directors of the Bank
- IX. Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange
Stock Short Name: CBHB
Stock Code: 9668
- X. Share Registrar**
Domestic Shares: China Securities Depository and Clearing Corporation Limited
No.17 Tai Ping Qiao Street, Xicheng District, Beijing
H Shares: Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- XI. Legal Advisors**
As to PRC Laws: Commerce & Finance Law Offices
12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
As to Hong Kong Laws: Paul Hastings
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. Auditors**
Domestic Accounting Firm: KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing
Signed Certified Public Accountants: GUAN Yiming, ZHANG Zexu
International Accounting Firm: KPMG
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
- XIII. Other Relevant Information**
Initial Registration Date: December 30, 2005
Registered Capital: RMB17,762 million
Unified Social Credit Code: 911200007109339563
Financial Licence Institution Serial Number: B0017H112000001

Awards and Ranking

In 2022, the Bank ranked 114th among the “Top 1000 World Banks” by the British magazine, The Banker.

At the 2022 Digital Finance Innovation Release Week and the 18th Publicity Year Annual Ceremony (2022 數字金融創新發佈周暨第十八屆宣傳年年度盛典) hosted by China Financial Certification Authority (CFCA), Digital Finance Joint Publicity Year and Cebnet.com.cn, the Bank won the “Best Smart Service Award in Mobile Banking (手機銀行最佳智能服務獎)” and the “Best Business Innovation Award in Digital Finance (數字金融最佳業務創新獎)”.

At the 2022 China Financial Technology Annual Conference and the 13th Financial Technology Application Innovation Award Ceremony (2022 中國金融科技年會暨第十三屆金融科技應用創新獎頒獎典禮) hosted by PBoC’s Financial Computerizing Magazine, the Bank won the “Award for Outstanding Contribution to the Digital Transformation of the Financial Industry in 2022 (2022 金融業數字化轉型突出貢獻獎)”.

The Bank won the “2022 Lianhe Zhiping Wealth Management Fengyun Award (2022 聯合智評理財風雲獎)” in the selection of the first “Lianhe Zhiping • Golden Toad Award (聯合智評•金蟾獎)” in 2022 hosted by Lianxin Zhiping Digital Technology Co., Ltd. (聯信智評數字科技有限公司).

At the 10th China Innovation and Entrepreneurship Leaders Summit and 2022 Innovation and Entrepreneurship Ceremony (第十屆中國創新創業領袖峰會暨 2022 年度雙創盛典), the Bank’s official WeChat public account was awarded the “2022 Most Influential New Media in the Industry Market (2022 年度最具行業市場影響力新媒體)”.

At the first “Golden Camellia” China Wealth Consultant Elite Competition (“金耐冬花”中國財富顧問大賽) hosted by Securities Times and professionally guided by the Financial Planning Standards Board (China), the Bank won the “2022 Golden Ridge Award for Innovative Financial Institutions in Digital Transformation (2022 年度數字化轉型創新金融機構金嶺)”.

At the 8th Annual Conference of China Securitization Forum (CSF), the Bank won the “Annual Innovative Institution (年度創新機構嘉勉)” award.

At China’s Financial Innovation Forum and China Financial Innovation Award Presentation (中國金融創新論壇暨中國金融創新獎成果發佈會) hosted by the magazine Chinese Banker, the Bank won the “Top 10 Transaction Banking Innovation Award (十佳交易銀行創新獎)” and “Top 10 Risk Management Innovation Award (十佳風險管理創新獎)”.

At the “13th Fund and Wealth Management • Jiefu award” ceremony hosted by Finance Vision China, the Bank won the “Outstanding Customer Service Award in Private Banking (私人銀行傑出客戶服務獎)” while CBHB Wealth Management Co., Ltd. (渤銀理財有限責任公司) won the “Wealth Management Banking Subsidiary with Excellent Growth (卓越成長力銀行理財子公司)” award.

At the China Asset Management and Wealth Management Industry Annual Summit 2022 and the second “Golden Honor Award” ceremony hosted by PYSTANDARD, the Bank won five awards, namely “Excellent Wealth Management Bank (卓越財富管理銀行)”, “Excellent Private Bank (卓越私人銀行)”, “Excellent Bank for Transformation Development (卓越轉型發展銀行)”, “Bank with Outstanding Investment Return (卓越投資回報銀行)” and “Bank with Outstanding Operational Management Capability (卓越運營管理能力銀行)”.

The Bank won the “Best Customer Management Award (最佳客群經營獎)” in the selection of the 6th Retail Banking Innovation Practice Awards (第六屆零售銀行創新實踐大獎) jointly organized by Retail Banking and Digital Banking.

The Bank received the “Award for Rural Revitalization with Digital Inclusive Financial Services (數字普惠金融服務鄉村振興獎)” at the 2022 “Science and Technology China” China Digital Inclusive Finance Conference (“科創中國”中國數字普惠金融大會) hosted by the China Association for Science and Technology.

The Bank was selected as one of the “outstanding cases of data asset management” in the 6th Big Data “Galaxy” Cases selection jointly organized by the China Academy of Information and Communications Technology and China Communications Standards Association’s Big Data Technical Standards Promotion Committee.

At the 2022 (6th) China Customer Service Festival, the Bank was awarded the “Best Star Team of 2022 China Customer Service Festival (2022 年中國客戶服務節最佳明星班組)”.

The Bank was awarded the Star of Ingenious Service in the 2022 “Excellent Credit Card” selection event sponsored by the Financial Digital Development Alliance and jointly organized by China UnionPay Data, Yin Shu Guan Ka (《銀數觀卡》) and China Credit Card.

The Bank received the “Annual Gold Medal Innovative Financial Institution (年度金牌創新力金融機構)” and “Annual Gold Medal Innovative Financial Product (年度金牌創新力金融產品)” awards in the selection of the 13th “Golden Pixiu Awards (金貔貅獎)” for 2022 hosted by Each Finance and the Financial Money magazine.

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	2022	2021	Increase (decrease) (%)	2020	2019	2018
Operating results data:						
Operating income	26,465,220	29,194,364	(9.35)	32,492,170	28,378,394	23,210,064
Profit before taxation	6,511,454	10,303,797	(36.81)	10,085,092	9,901,850	8,027,462
Net profit	6,107,475	8,629,724	(29.23)	8,444,571	8,192,756	7,080,155
Net profit attributable to equity holders of the Bank	6,107,475	8,629,724	(29.23)	8,444,571	8,192,756	7,080,155
Net cash flows generated from operating activities	26,830,977	82,987,687	(67.67)	52,085,407	(41,679,518)	(167,616,433)
Indicators per share (RMB):						
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.29	0.43	(32.56)	0.47	0.57	0.49
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.29	0.43	(32.56)	0.47	0.57	0.49
Net cash flows generated from operating activities per share	1.51	4.67	(67.67)	3.27	(2.88)	(11.60)
Financial ratios (%):						
Average return on total assets ⁽¹⁾	0.38	0.58	a decrease of 0.20 percentage point	0.67	0.76	0.70
Weighted average return on net assets ⁽²⁾	5.81	8.88	a decrease of 3.07 percentage points	10.68	13.71	13.59

	December 31, 2022	December 31, 2021	Increase (decrease) (%)	December 31, 2020	December 31, 2019	December 31, 2018
Scale indicators:						
Total assets	1,659,459,902	1,582,707,598	4.85	1,393,523,125	1,116,930,025	1,034,451,332
Gross loans and advances to customers ⁽³⁾	957,216,978	955,355,247	0.19	887,537,545	708,057,530	565,453,709
Total liabilities	1,549,508,868	1,476,143,521	4.97	1,290,277,295	1,034,291,428	978,592,211
Gross deposits from customers ⁽³⁾	843,873,695	820,589,157	2.84	746,725,783	637,934,899	598,166,690
Total equity	109,951,034	106,564,077	3.18	103,245,830	82,638,597	55,859,121
Net assets per share attributable to ordinary Shareholders of the Bank (RMB) ⁽⁴⁾	5.07	4.88	3.89	4.69	4.34	3.87
Share capital	17,762,000	17,762,000	-	17,762,000	14,450,000	14,450,000

- Notes: (1) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.
- (2) Weighted average return on net assets is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第 9 號—淨資產收益率和每股收益的計算及披露(2010 年修訂)》) issued by the CSRC.
- (3) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.
- (4) Net assets per share attributable to ordinary Shareholders of the Bank equals equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	2022	2021	Changes	2020	2019	2018	
Profitability indicators:							
Net interest spread ⁽¹⁾	1.45	1.61	a decrease of 0.16 percentage point	2.18	2.04	1.46	
Net interest margin ⁽²⁾	1.50	1.72	a decrease of 0.22 percentage point	2.35	2.22	1.54	
Cost-to-income ratio ⁽³⁾	39.24	32.88	an increase of 6.36 percentage points	26.52	29.50	35.40	
	December 31, 2022	December 31, 2021	Changes	December 31, 2020	December 31, 2019	December 31, 2018	
Asset quality indicators:							
NPL ratio ⁽⁴⁾	1.76	1.76	–	1.77	1.78	1.84	
Allowance coverage ratio ⁽⁵⁾	150.95	135.63	an increase of 15.32 percentage points	158.80	187.73	186.96	
Allowance to gross loan ratio ⁽⁶⁾	2.65	2.39	an increase of 0.26 percentage point	2.81	3.34	3.44	
Capital adequacy indicators ⁽⁷⁾ :							
Capital adequacy ratio ⁽⁸⁾	11.50	12.35	a decrease of 0.85 percentage point	12.08	13.07	11.77	
Tier 1 capital adequacy ratio ⁽⁸⁾	9.94	10.76	a decrease of 0.82 percentage point	11.01	10.63	8.61	
Core tier 1 capital adequacy ratio ⁽⁸⁾	8.06	8.69	a decrease of 0.63 percentage point	8.88	8.06	8.61	
Leverage ratio ⁽⁹⁾	5.43	5.66	a decrease of 0.23 percentage point	6.32	6.22	4.52	
Other indicators:							
Liquidity ratio	RMB	57.25	56.68	an increase of 0.57 percentage point	48.70	59.98	55.39
	Foreign currency against RMB	242.36	97.69	an increase of 144.67 percentage points	165.37	214.20	293.44
	Total	63.11	59.28	an increase of 3.83 percentage points	53.40	63.85	56.37
Proportion of loans to the single largest customer ⁽¹⁰⁾		6.71	8.43	a decrease of 1.72 percentage points	8.10	6.37	9.09
Proportion of loans to top ten customers ⁽¹⁰⁾		50.05	56.43	a decrease of 6.38 percentage points	50.57	48.13	55.24
Inter-bank ratio (RMB)	Inter-bank borrowings ratio	1.90	0.27	an increase of 1.63 percentage points	0.37	0.42	1.07
	Inter-bank loans ratio	1.18	0.64	an increase of 0.54 percentage point	0.27	0.32	0.17

- Notes: (1) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (2) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
- (3) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by operating income.
- (4) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding interests accrued).
- (5) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
- (6) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding interests accrued).
- (7) According to the relevant requirements of the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) and the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》), the Group disclosed the capital composition, leverage ratio and other statements for the Reporting Period on the website of the Bank (www.cbhb.com.cn).
- (8) The Group calculates the capital adequacy ratios for each tier according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).
- (9) The Group calculates the leverage ratio according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and China Accounting Standards for Business Enterprises (中國企業會計準則).
- (10) Proportion of loans to the single largest customer and proportion of loans to top ten customers are the ratio of the gross loan of the single largest customer to the net capital and the ratio of the gross loan of the top ten customers to the net capital, respectively.

Management Discussion and Analysis

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT IN 2022

In 2022, the global economic environment was complicated and severe. Suffered from multiple shocks including the COVID-19 pandemic, the Russia-Ukraine conflict and the energy crisis, the global financial market became more volatile, and the exchange rate market was in turmoil. The US dollar index once strengthened, and global inflation remained high. Governments of many countries accelerated the tightening of monetary policies, and the global economic growth slowed down. From March to December 2022, the Federal Reserve raised interest rates seven times in a row, with a cumulative increase of 425 basis points, and the European Central Bank raised interest rates four times. In the Global Economic Prospects report released by the World Bank in January 2023, the global economic growth forecast for 2023 was lowered to 1.7%.

In 2022, despite the triple whammy of demand contraction, supply shock and weakening expectations, as well as the constant and sporadic outbreak of the pandemic, the domestic economy achieved stable growth, and the financial sector maintained smooth operation, demonstrating solid fundamentals of the long-term economic upturn. The annual GDP growth rate was 3.0%. The annual total retail sales of consumer goods decreased by 0.2% year-on-year, and the national fixed asset investment increased by 5.1% year-on-year. The total value of China's import and export of trade in goods increased by 7.7% year-on-year. CPI growth was generally stable, up 2.0% year-on-year; the growth rate of PPI continued to fall, up 4.1% over the previous year; and the RMB exchange rate remained basically stable at a reasonable and balanced level.

In 2022, China's sound monetary policy became more flexible and appropriate, and the quality and effectiveness of financial support for the real economy was further improved. The total credit volume grew steadily, and the credit structure continued to be optimized. At the end of 2022, the M2 balance was RMB266.43 trillion, an increase of 11.8% year-on-year; the existing social financing scale amounted to RMB344.21 trillion, an increase of 9.6% year-on-year; RMB loans increased by RMB21.31 trillion in 2022, an increase of RMB1.36 trillion year-on-year. The balance of RMB loans issued to the real economy was RMB212.43 trillion, up 10.9% year-on-year.

In 2022, China's financial industry fully implemented the various plans to support and stabilize the macro economy, which effectively prevented and mitigated financial risks, and continued to deepen reforms. In an effort to maintain reasonable and sufficient liquidity, the Central Bank made two cuts to the required reserve ratio in 2022. To further reduce the financing cost of the real economy, the annual 1-year LPR and 5-year LPR were reduced by 15 basis points and 35 basis points respectively, and a market-based adjustment mechanism for deposit interest rates was established. The financial regulatory authorities issued 23 financial support measures for pandemic prevention and control and economic and social development, introduced 16 financial measures to promote the stable and healthy development of the real estate market, implemented city-specific differentiated credit policies, established financial stability guarantee funds, and guided financial institutions to offer proper financial services for key areas such as manufacturing, technological innovation, infrastructure construction, small and micro enterprises, green and low-carbon, and rural revitalization, thereby helping the economy achieve steady improvement in quality and reasonable growth in quantity.

II. DEVELOPMENT STRATEGIES

The Bank's strategic vision is to become "a modern wealth and treasury manager offering the best experience (最佳體驗的現代財資管家)", its mission is to "serve the national strategy, serve the real economy and serve the good life, create sustainable value for shareholders, create a broad stage for employees and fulfill legal person responsibility for society (服務國家戰略、服務實體經濟、服務美好生活, 為股東創造持續價值, 為員工打造廣闊舞台, 為社會履行法人責任)", and its value is "customer first, struggle-oriented, agility as the essence, innovation as the soul, and compliance as the lifeblood (客戶為先, 奮鬥為本, 敏捷為要, 創新為魂, 合規是命)". Setting foot on the new development stage, the Bank is adhering to the new development philosophy and integrating itself into the new development pattern. During the Fourth "Five-Year Plan" period, the Bank insisted on transforming into a retail bank, a transaction bank and a light-model bank. The Bank focuses on building an eco-banking model of "Bank the world" to create five strategic capabilities of "Ecosystem", "Engaged", "Enable", "Everywhere" and "Engined", achieving comprehensive upgrade of business model. The Bank always insists on the unification of economic responsibility and social responsibility, comprehensively pushes forward the construction of a green financial system, prevents and controls environmental and social risks, and contributes financial strength to accelerate the formation of green production and lifestyle, peak carbon emissions and achieve carbon neutrality. It is committed to promoting the green adjustment of the credit structure, cultivating new business growth points, establishing a diversified green financial product system, and continuously optimizing the green financial comprehensive service model.

During the Fourth "Five-Year Plan" period, the Bank has accelerated the formation of a trinity of corporate, retail, and financial market business development. The retail banking business insists on using MAU operation as the starting point, AUM operation as the cornerstone and enhancing customer value as the goal, providing customers/users with personalized, differentiated, and customized products and services through the "Plug & Play" business model to build the distinct competitive advantages for Bohai Bank. The corporate banking business adheres to the transformation direction of "Transaction Banking + FPA", and it realizes the change from asset pulling to asset leveraging through the "Platform Boosting" business model, which lays a solid foundation for the Bank's business transformation. The financial market business insists on taking trading as its soul, returning to its origin and creating value as its starting and ending point, and effectively helps the Bank's strategic transformation and business development through the "Supportive Activation" business model.

During the Fourth "Five-Year Plan" period, the Bank will build a strategic support system with "Seven New Infrastructure Construction" of Bohai Bank as the main body. The "Seven New Infrastructure Construction" includes FinTech, creative R&D, operation system, incentives and constraints, internal control & compliance, risk management, as well as training and education. The FinTech system is positioned to strengthen technology empowering and drive the "light front platform, fast middle platform, strong back platform" comprehensive digital transformation. The risk management system is designed to enhance the ability of "risk control for the Bank's protection", build an overall framework of intelligent risk control, and deeply apply big data and artificial intelligence technology to realize the transformation from "management" to "empowerment". The major compliance system is positioned as the "repair system", "prevention system" and "immune system" of the Bank. Focusing on the main theme of "compliance is lifeblood" and taking systems, models and data as the starting point, a bank-wide compliance defense line is built so that no one dares, can and wants to violate compliance regulations. The creative R&D system is positioned to drive development with innovation, to better meet market demand and user needs with agile and innovative rapid response capabilities, and to better improve the quality and efficiency of financial services. The major operation system is located at "lifting weights as lightness". With the goal of building an all-scenario, all-channel, all-service, all-user, all-chain, all-product, all-cycle and all-process system, the Bank is committed to building a highly adaptable delivery capability so that the "weights" of operation will enable the "lightness" of business. The incentives and constraints system is fighter-oriented, and gives play to the advantage of the flexible mechanism of a joint-stock bank, widening the gap of performance assessment, and transforming the advantages in resource allocation into the efficiency of operation and development. The training system is positioned as a "charging station" and "booster" for the growth of Bohai Bank's cadres and employees, with project- and digital-based operation as the starting point to effectively enhance Bohai Bank's advantages in talents.

III. SCOPE OF BUSINESSES

The business scope of the Bank includes: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by government and financial institutions; inter-bank borrowing and lending; trading of foreign currencies by itself and on behalf of its customers; bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments and insurance agency; offering safe-deposit facilities and other business approved by the CBIRC.

IV. OVERALL OPERATING PERFORMANCE

In 2022, under the influence of the adjustment to domestic and foreign pandemic prevention and control policies, it became more difficult for China's economy to grow steadily. In the face of risks and challenges, the Group actively served the national strategy, optimized the credit structure and increased support for the real economy. At the same time, it steadily promoted the transformation under its Fourth "Five-Year Plan", fully implemented the new development concept, served the new development pattern and stepped up active control, with the size of assets growing steadily and the quality of assets remaining stable, as well as an operating income of RMB26.465 billion and net profits of RMB6.107 billion. With the further revitalization on real economy and the effectivity of favorable effects such as precise and powerful monetary policy and more effective fiscal policy, the operating environment of commercial banks will be positive as a whole, and the Group's operating and management results, as well as capital market performance, will be further improved.

Steady growth in the size of assets and liabilities

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,659,460 million, representing an increase of RMB76,752 million or 4.85% as compared to the end of the previous year, among which net loans and advances to customers amounted to RMB942,723 million, representing an increase of RMB4,817 million or 0.51% as compared to the end of the previous year. Total liabilities amounted to RMB1,549,509 million, representing an increase of RMB73,365 million or 4.97% as compared to the end of the previous year, among which deposits from customers amounted to RMB863,934 million, representing an increase of RMB28,013 million or 3.35% as compared to the end of the previous year. The size of both deposits and loans maintained steady growth.

Continuous optimization of credit business structure

During the Reporting Period, the Group continued to improve the coverage and accessibility of financial services, actively supported the increased credit allocation to fields including manufacturing, private, green finance and rural revitalization, strengthened the financial support for areas including small and micro enterprises, the rural areas, agriculture and farmers and poverty alleviation, and improved the fit between business layout and real economy to stimulate new momentum for transformation. As of the end of the Reporting Period, the balance of inclusive small and micro loans was RMB65,731 million, representing an increase of RMB6,249 million or 10.51% as compared to the end of the previous year, which was 10 percentage points higher than the growth rate of general loans, effectively meeting the financing needs of the real economy.

Continuous improvement in transformation into retail banking

During the Reporting Period, the Group launched the new version of mobile banking, and created a new mobile portal APP with core features of "digitalization", "intelligence", "aggregate high-quality benefits" and "immersive customer experience". The Group strengthened management of marketing and structure optimization of wealth business, promoted the development of its private banking business, and enhanced the number of high-end customers. The Group continued to innovate new retail consumer finance, continuously enriching the product portfolio and creating diversified personal consumer finance products. As of the end of the Reporting Period, the total retail deposit was RMB168,724 million, representing an increase of 25.04% as compared to the end of the previous year. The retail deposit ratio reached 19.99%. The gross retail loans amounted to RMB336,536 million, or a percentage of 35.16%.

Asset quality risks under control

As of the end of the Reporting Period, the balance of the non-performing loans of the Group amounted to RMB16,807 million, representing a decrease of RMB28 million as compared to the end of the previous year. The NPL ratio was 1.76%, which remained the same level as at the end of the previous year. Allowance for loans loss was adequate, and the allowance for loan impairment was RMB25,370 million, representing an increase of RMB2,538 million as compared to the end of the previous year, whereas financial investment impairment provisions was RMB10,198 million and other impairment provisions was RMB803 million. The allowance to gross loan ratio was 2.65%, and the allowance coverage ratio was 150.95%. Asset quality was stable and allowance indicators met the regulatory requirements.

V. ANALYSIS OF FINANCIAL STATEMENTS**(I) Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income****1. Changes in items in the consolidated statement of profit or loss and other comprehensive income**

During the Reporting Period, the Group realized a net profit of RMB6,107 million, representing a decrease of 29.23% as compared to the previous year, primarily due to the Group proactively optimized its credit structure so as to strengthen foundation for risk prevention and mitigation; interest spread was relatively narrower due to the continuous benefits brought to the real economy and the support to its inclusive business by the Group, resulting in a year-on-year decrease in operating income; and an increase in operating expenses as compared to the previous year as a result of the transformation acceleration and the increase in expenditure on new outlets and technology investment.

The following table sets forth the changes in key items in the consolidated statement of profit or loss and other comprehensive income of the Group for the periods indicated:

(Unit: RMB'000)

	2022	2021	Change	Increase (decrease) (%)
Net interest income	22,668,539	25,179,299	(2,510,760)	(9.97)
Net non-interest income	3,796,681	4,015,065	(218,384)	(5.44)
Operating income	26,465,220	29,194,364	(2,729,144)	(9.35)
Operating expenses	(10,900,887)	(10,212,572)	(688,315)	6.74
Impairment losses on assets	(9,052,879)	(8,677,995)	(374,884)	4.32
Profit before taxation	6,511,454	10,303,797	(3,792,343)	(36.81)
Income tax	(403,979)	(1,674,073)	1,270,094	(75.87)
Net profit	6,107,475	8,629,724	(2,522,249)	(29.23)
Total comprehensive income	5,882,251	5,778,017	104,234	1.80

2. Net interest income

During the Reporting Period, the net interest income of the Group amounted to RMB22,669 million, representing a decrease of 9.97% as compared to the previous year.

(1) Net interest spread and net interest margin

During the Reporting Period, the net interest spread of the Group was 1.45%, representing a decrease of 0.16 percentage point as compared to the previous year; and the net interest margin was 1.50%, representing a decrease of 0.22 percentage point as compared to the previous year.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Group for the periods indicated:

(Unit: RMB'000)

	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	960,600,765	47,026,476	4.90	949,353,014	48,770,205	5.14
Financial investments	404,335,870	12,523,760	3.10	332,018,866	11,754,529	3.54
Deposits with the central bank	77,708,370	972,867	1.25	78,690,209	1,009,503	1.28
Deposits with banks and other financial institutions	36,663,690	263,123	0.72	63,700,987	283,696	0.45
Placements with banks and other financial institutions	17,446,204	664,333	3.81	20,973,678	312,392	1.49
Financial assets held under resale agreements	10,382,763	151,872	1.46	19,833,513	387,763	1.96
Total interest-earning assets	1,507,137,662	61,602,431	4.09	1,464,570,267	62,518,088	4.27
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	817,088,541	21,859,585	2.68	802,328,322	20,257,631	2.52
Deposits from banks and other financial institutions	221,512,864	5,740,662	2.59	187,768,911	5,544,708	2.95
Placements from banks and other financial institutions	40,649,317	624,212	1.54	54,955,422	577,466	1.05
Financial assets sold under repurchase agreements	42,897,241	784,380	1.83	33,900,838	761,082	2.25
Debt securities issued	257,159,489	7,071,366	2.75	255,119,654	8,095,150	3.17
Borrowing from the central bank	97,726,214	2,853,687	2.92	70,187,397	2,102,752	3.00
Total interest-bearing liabilities	1,477,033,666	38,933,892	2.64	1,404,260,544	37,338,789	2.66
Net interest income		22,668,539			25,179,299	
Net interest spread			1.45			1.61
Net interest margin			1.50			1.72

(2) Interest income

During the Reporting Period, the interest income of the Group amounted to RMB61,602 million, representing a decrease of 1.46% as compared to the previous year.

Interest income arising from loans and advances to customers

During the Reporting Period, the Group's interest income arising from loans and advances to customers amounted to RMB47,026 million, representing a decrease of 3.58% as compared to the previous year, primarily due to the decrease in interest income of corporate loans and advances as well as interest income of personal loans as compared to the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Group for the periods indicated:

(Unit: RMB'000)

	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	542,451,901	24,797,924	4.57	553,498,010	25,548,884	4.62
Personal loans	338,871,070	20,712,310	6.11	336,516,875	21,465,193	6.38
Discounted bills	79,277,794	1,516,242	1.91	59,338,129	1,756,128	2.96
Loans and advances to customers	960,600,765	47,026,476	4.90	949,353,014	48,770,205	5.14

Interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements

During the Reporting Period, the Group's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB1,900 million, representing a year-on-year increase of 18.36%; and the interest income arising from financial assets held under resale agreements amounted to RMB152 million, representing a year-on-year decrease of 60.83%.

Interest income arising from financial investments

During the Reporting Period, the Group's interest income arising from financial investments amounted to RMB12,524 million, representing a year-on-year increase of 6.54%.

(3) Interest expense

During the Reporting Period, the Group's interest expense amounted to RMB38,934 million, representing a year-on-year increase of 4.27%.

Interest expense on deposits from customers

During the Reporting Period, the Group's interest expense on deposits from customers amounted to RMB21,860 million, representing a year-on-year increase of 7.91%.

The following table sets forth the average balance, interest expense and average cost on deposits from customers of the Group for the periods indicated:

(Unit: RMB'000)

	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	552,633,389	15,358,246	2.78	541,788,424	14,515,970	2.68
Of which: Demand deposits	157,469,303	1,642,068	1.04	161,019,638	1,461,285	0.91
Time deposits	395,164,086	13,716,178	3.47	380,768,786	13,054,685	3.43
Personal deposits	138,016,073	4,066,905	2.95	121,832,761	3,341,834	2.74
Of which: Demand deposits	34,408,534	121,953	0.35	37,791,429	127,603	0.34
Time deposits	103,607,539	3,944,952	3.81	84,041,332	3,214,231	3.82
Pledged deposits and others	126,439,079	2,434,434	1.93	138,707,137	2,399,827	1.73
Deposits from customers	817,088,541	21,859,585	2.68	802,328,322	20,257,631	2.52

Interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements

During the Reporting Period, the Group's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB9,219 million, representing a year-on-year increase of 12.08%; interest expense on financial assets sold under repurchase agreements amounted to RMB784 million, representing a year-on-year increase of 3.06%.

Interest expense on debt securities issued

During the Reporting Period, the Group's interest expense on debt securities issued amounted to RMB7,071 million, representing a year-on-year decrease of 12.65%.

(4) **Impact of changes in volume and interest rate on interest income and interest expense**

The following table sets forth the allocation of changes in the interest income and interest expense of the Group due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	2022 vs. 2021 due to changes in volume	2022 vs. 2021 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	534,718	(2,278,447)	(3.58)
Financial investments	2,230,114	(1,460,883)	6.54
Deposits with the central bank	(13,029)	(23,607)	(3.63)
Deposits with banks and other financial institutions	(192,566)	171,993	(7.25)
Placements with banks and other financial institutions	(134,648)	486,589	112.66
Financial assets held under resale agreements	(136,723)	(99,168)	(60.83)
Changes in interest income	2,287,866	(3,203,523)	(1.46)
Deposits from customers	318,229	1,283,725	7.91
Deposits from banks and other financial institutions	871,922	(675,968)	3.53
Placements from banks and other financial institutions	(222,536)	269,282	8.10
Financial assets sold under repurchase agreements	165,682	(142,384)	3.06
Debt securities issued	47,719	(1,071,503)	(12.65)
Borrowing from the central bank	807,085	(56,150)	35.71
Changes in interest expense	1,988,101	(392,998)	4.27
Changes in net interest income	299,765	(2,810,525)	(9.97)

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

3. Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB3,797 million, representing a year-on-year decrease of 5.44%.

(1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group amounted to RMB2,569 million, representing a year-on-year increase of 14.81%, primarily due to the combined effect of the increase in settlement and clearing fees income and the decrease in information service fees expenses.

The following table sets forth the principal components of the Group's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	2022	2021	Increase (decrease) (%)
Fee and commission income	3,540,479	3,891,888	(9.03)
Of which: Agency service fees	1,372,060	1,761,457	(22.11)
Settlement and clearing fees	902,803	738,739	22.21
Credit commitments and asset management fees	425,453	349,691	21.67
Custodian service fees	400,290	501,052	(20.11)
Consulting service fees	188,593	401,420	(53.02)
Bank card fees	115,328	71,262	61.84
Others	135,952	68,267	99.15
Fee and commission expense	971,257	1,654,091	(41.28)
Of which: Information service fees	702,598	1,386,952	(49.34)
Agency service fees	85,821	79,141	8.44
Settlement and clearing fees	52,740	54,790	(3.74)
Consulting service fees	51,742	57,190	(9.53)
Bank card fees	42,120	49,548	(14.99)
Others	36,236	26,470	36.89
Net fee and commission income	2,569,222	2,237,797	14.81

(2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Group amounted to RMB1,227 million, representing a year-on-year decrease of 30.94%, primarily due to the significant decrease in net trading gains as compared to the previous year.

The following table sets forth the principal components of other net non-interest income of the Group for the periods indicated:

(Unit: RMB'000)

	2022	2021	Increase (decrease) (%)
Net trading (losses)/gains	(224,543)	280,164	N/A
Net gains arising from investment securities	1,386,594	1,398,941	(0.88)
Other operating income	65,408	98,163	(33.37)
Total	1,227,459	1,777,268	(30.94)

4. Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB10,901 million, representing a year-on-year increase of 6.74%.

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

(Unit: RMB'000)

	2022	2021	Increase (decrease) (%)
Staff costs	6,242,897	6,042,879	3.31
Depreciation and amortisation	1,628,498	1,398,491	16.45
Taxes and surcharges	443,177	426,707	3.86
Interest expense on lease liabilities	162,733	141,067	15.36
Other general and administrative expenses	2,423,582	2,203,428	9.99
Total	10,900,887	10,212,572	6.74

5. Impairment losses on assets

The Group strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Group amounted to RMB9,053 million, representing an increase of 4.32% as compared to the same period of the previous year, among which the provision for impairment losses on loans and advances to customers amounted to RMB8,124 million, the impairment losses on investments amounted to RMB304 million, and other impairment losses on credit amounted to RMB625 million.

6. Income tax

During the Reporting Period, the income tax of the Group amounted to RMB404 million and the effective tax rate was 6.20%. The income tax decreased primarily due to the decrease in the profit before taxation.

The following table sets forth the difference between the income tax of the Group and the calculation based on the statutory rate of 25% for the periods indicated:

(Unit: RMB'000)

	2022	2021	Increase (decrease) (%)
Profit before taxation	6,511,454	10,303,797	(36.81)
Income tax calculated at statutory tax rate of 25%	1,627,864	2,575,949	(36.81)
Tax impacts of the adjustment for:			
Non-deductible	542,618	314,746	72.40
Non-taxable income	(1,529,756)	(977,317)	56.53
Deductible items of interest expense on undated capital bonds	(237,500)	(237,500)	–
Others	753	(1,805)	N/A
Income tax	403,979	1,674,073	(75.87)

(II) Items in the consolidated statement of financial position

1. Items of assets

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,659,460 million, representing an increase of 4.85% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the rapid development of financial investments.

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

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Cash and deposits with the central bank	108,394,184	6.53	115,143,453	7.28	(5.86)
Deposits with banks and other financial institutions	16,074,856	0.97	27,730,508	1.75	(42.03)
Placements with banks and other financial institutions and financial assets held under resale agreements	18,333,936	1.10	9,262,262	0.59	97.94
Derivative financial assets	1,211,516	0.07	676,154	0.04	79.18
Loans and advances to customers	942,723,216	56.81	937,906,589	59.26	0.51
Financial investments	544,533,823	32.81	467,631,104	29.55	16.45
Property and equipment	3,740,467	0.23	3,585,904	0.23	4.31
Deferred tax assets	13,105,211	0.79	10,923,356	0.69	19.97
Right-of-use assets	4,024,889	0.24	3,921,702	0.25	2.63
Other assets	7,317,804	0.45	5,926,566	0.36	23.47
Total assets	1,659,459,902	100.00	1,582,707,598	100.00	4.85

(1) Loans and advances to customers

As of the end of the Reporting Period, the Group's gross loans and advances to customers (including discounts) amounted to RMB957,217 million, representing an increase of 0.19% as compared to the end of the previous year.

The following table sets forth the distribution of loans and advances to customers of the Group by product type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate loans and advances	535,149,187	55.90	537,239,254	56.23	(0.39)
Discounted bills	85,532,135	8.94	76,698,756	8.03	11.52
Personal loans	336,535,656	35.16	341,417,237	35.74	(1.43)
Gross loans and advances to customers	957,216,978	100.00	955,355,247	100.00	0.19
Interests accrued	9,338,023		5,296,053		
Total	966,555,001		960,651,300		

(2) Financial investments

As of the end of the Reporting Period, the financial investments of the Group amounted to RMB544,534 million, representing an increase of 16.45% as compared to the end of the previous year.

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

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Financial investments measured at fair value through profit or loss	120,542,087	22.14	102,377,637	21.89	17.74
Financial investments measured at fair value through other comprehensive income	101,487,369	18.64	89,218,927	19.08	13.75
Financial investments measured at amortized cost	322,504,367	59.22	276,034,540	59.03	16.83
Total	544,533,823	100.00	467,631,104	100.00	16.45

Further details of the Group's financial investments are set forth in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

The following table sets forth the top 10 financial bonds held by the Group as of the end of the Reporting Period:

(Unit: RMB'000)

Bonds	Total price	Return rate (%)	Maturity
Financial bond A	4,880,000	2.69	2027-06-16
Financial bond B	4,810,000	3.06	2023-08-05
Financial bond C	3,670,000	3.19	2024-03-03
Financial bond D	3,650,000	2.91	2028-10-14
Financial bond E	3,510,000	3.34	2025-07-14
Financial bond F	3,280,000	3.35	2026-03-24
Financial bond G	3,250,000	3.02	2031-05-27
Financial bond H	3,250,000	2.25	2025-04-22
Financial bond I	3,230,000	2.46	2025-07-27
Financial bond J	3,100,000	3.45	2025-09-23

(3) Financial derivatives transactions

The Bank's financial derivatives transactions mainly consist of interest rate swaps, foreign exchange swaps and foreign exchange forwards, etc. The Bank flexibly uses various derivative financial instruments to hedge exchange rate and interest rate risks, carries out strategic transactions and reasonably manages the portfolio of derivative financial instrument position, and keeps a sound trading style.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Group are set out as follows:

(Unit: RMB'000)

	December 31, 2022			December 31, 2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	203,353,923	34,495	(32,018)	201,286,476	47,291	(38,405)
Exchange rate swaps	34,618,545	635,722	(202,165)	59,174,936	17,386	(356,177)
Exchange rate forwards	52,699,856	471,433	(371,794)	43,299,707	577,205	(521,346)
Precious metal swaps	3,319,785	69,866	(7,196)	2,748,971	6,134	(84,366)
Option contracts	-	-	-	1,676,974	28,138	(25,548)
Total	293,992,109	1,211,516	(613,173)	308,187,064	676,154	(1,025,842)

2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Group amounted to RMB1,549,509 million, representing an increase of 4.97% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase in borrowing from the central bank and debt securities issued.

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

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Borrowing from the central bank	117,858,168	7.61	78,846,876	5.34	49.48
Deposits from banks and other financial institutions	181,175,967	11.69	171,542,080	11.62	5.62
Placements from banks and other financial institutions	29,434,826	1.90	60,198,745	4.08	(51.10)
Derivative financial liabilities	613,173	0.04	1,025,842	0.07	(40.23)
Financial assets sold under repurchase agreements	60,223,721	3.89	68,199,110	4.62	(11.69)
Deposits from customers	863,934,028	55.76	835,920,665	56.63	3.35
Income tax payable	1,124,939	0.07	1,224,898	0.08	(8.16)
Debt securities issued	276,680,991	17.86	242,598,064	16.43	14.05
Lease liabilities	4,229,676	0.27	4,047,564	0.27	4.50
Other liabilities	14,233,379	0.91	12,539,677	0.86	13.51
Total liabilities	1,549,508,868	100.00	1,476,143,521	100.00	4.97

Note: As at December 31, 2022, borrowing from the central bank of RMB117,858,168,000 included the principal amount at a fixed interest rate of RMB116,395,000,000, and the interest payable on the borrowing from the central bank of RMB1,463,168,000.

Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Group amounted to RMB843,874 million, representing an increase of 2.84% as compared to the end of the previous year.

The following table sets forth the distribution of deposits from customers of the Group by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate deposits	538,102,666	63.77	556,129,430	67.77	(3.24)
Of which: Demand deposits	174,481,455	20.68	175,579,642	21.40	(0.63)
Time deposits	363,621,211	43.09	380,549,788	46.37	(4.45)
Personal deposits	168,724,081	19.99	134,931,535	16.44	25.04
Of which: Demand deposits	35,665,919	4.22	47,169,584	5.75	(24.39)
Time deposits	133,058,162	15.77	87,761,951	10.69	51.61
Pledged deposits	136,752,076	16.20	129,299,647	15.76	5.76
Fiscal deposits	214,725	0.03	138,608	0.02	54.92
Inward and outward remittances	80,147	0.01	89,937	0.01	(10.89)
Gross deposits from customers	843,873,695	100.00	820,589,157	100.00	2.84
Interests accrued	20,060,333		15,331,508		
Total	863,934,028		835,920,665		

The following table sets forth the distribution of the Group's deposits from customers by currency as of the dates indicated:

(Unit: RMB'000)

	December 31, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
RMB	807,203,607	93.43	707,696,923	84.66	14.06
Foreign currency against RMB	56,730,421	6.57	128,223,742	15.34	(55.76)
Total	863,934,028	100.00	835,920,665	100.00	3.35

3. Total equity

As of the end of the Reporting Period, the total equity of the Group amounted to RMB109,951 million, representing an increase of RMB3,387 million or 3.18% as compared to the end of the previous year, primarily due to an increase of retained earnings of the Group during the Reporting Period.

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

(Unit: RMB'000)

	December 31, 2022	December 31, 2021	Increase (decrease) (%)
Share capital	17,762,000	17,762,000	–
Other equity instruments	19,961,604	19,961,604	–
Other comprehensive income	(3,038,853)	(2,813,629)	8.00
Capital reserve	10,732,077	10,732,077	–
Surplus reserve	7,342,356	6,731,609	9.07
General reserve	20,245,453	19,496,787	3.84
Retained earnings	36,946,397	34,693,629	6.49
Total	109,951,034	106,564,077	3.18

4. Off-balance sheet items that may have a significant impact on the financial position and operating results

The off-balance sheet items of the Group are set out in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

5. Market share of primary goods or services

According to the Statements of Incomes and Expenditures Related to Lendings from Banks published by the PBoC in December 2022, as of the end of the Reporting Period, the market share of the gross deposits and loans of the Group among the 12 national joint-stock commercial banks in Mainland China is as follows:

	Market share (%)
Gross deposits	2.22
Of which: Gross savings deposits	1.55
Gross loans	2.45

(III) Items of the Consolidated Cash Flow Statement

During the Reporting Period, net cash flow generated from operating activities of the Group amounted to RMB26,831 million, of which cash outflow generated from changes in operating assets amounted to RMB13,303 million, cash inflow generated from changes in operating liabilities amounted to RMB32,011 million. Net cash flow used in the investment activities of the Group amounted to RMB65,245 million, of which proceeds from disposal sale and redemption of investments amounted to RMB679,593 million, payments on acquisition of investments amounted to RMB756,289 million. Net cash flow generated from financing activities of the Group amounted to RMB23,406 million, of which proceeds from debt securities issued amounted to RMB375,201 million, repayment of debt securities issued amounted to RMB341,457 million.

(IV) Other Financial Information

1. *The items with change rate over 30% in the accounting statements and the brief analysis on the reasons*

(Unit: RMB'000)

Items of the consolidated statement of financial position	December 31, 2022	December 31, 2021	Increase (decrease) (%)	Main reasons for changes during the Reporting Period
Deposits with banks and other financial institutions	16,074,856	27,730,508	(42.03)	Decrease in overseas bank deposits in China
Placements with banks and other financial institutions	18,333,936	9,262,262	97.94	Increase in placements with domestic banks and other financial institutions in China
Derivative financial assets	1,211,516	676,154	79.18	Increase in derivative financial assets
Borrowing from the central bank	117,858,168	78,846,876	49.48	Increase in medium-term lending facility
Placements from banks and other financial institutions	29,434,826	60,198,745	(51.10)	Decrease in domestic and foreign placements from banks
Derivative financial liabilities	613,173	1,025,842	(40.23)	Decrease in derivative financial liabilities
Items of the consolidated statement of profit or loss and other comprehensive income	2022	2021	Increase (decrease) (%)	Main reasons for changes during the Reporting Period
Net trading (losses)/gains	(224,543)	280,164	N/A	Changes in net losses from equity investments and increases in net losses from precious metal trading
Other operating income	65,408	98,163	(33.37)	Decrease in government grants
Profit before taxation	6,511,454	10,303,797	(36.81)	Decrease in operating income, increase in operating expenses and impairment losses on assets
Income tax	(403,979)	(1,674,073)	(75.87)	Decrease in profit before taxation

2. *Pledge of assets*

Details for the pledge of assets of the Group are set out in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

3. *Overdue and outstanding debts*

The Group had no overdue and outstanding debts as of the end of the Reporting Period.

VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

As of the end of the Reporting Period, the Group calculated the capital adequacy ratios at all levels in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory requirements. In calculating its capital adequacy ratios, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the requirements of the regulations. The items related to capital adequacy ratios at all levels calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	December 31, 2022		December 31, 2021	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital	89,989,430	89,970,089	86,602,473	86,602,473
Core tier 1 capital regulatory deductions	(4,362,055)	(6,561,145)	(2,454,831)	(2,454,831)
Net core tier 1 capital	85,627,375	83,408,944	84,147,642	84,147,642
Other tier 1 capital	19,961,604	19,961,604	19,961,604	19,961,604
Net tier 1 capital	105,588,979	103,370,548	104,109,246	104,109,246
Tier 2 capital	16,525,540	16,525,540	15,394,751	15,394,751
Of which: Qualifying portion of tier 2 capital instruments enjoying favorable policies during the transitional period	—	—	408,562	408,562
Tier 2 capital regulatory deductions	—	—	—	—
Net capital	122,114,519	119,896,088	119,503,997	119,503,997
Capital adequacy ratio^{Note} (%)	11.50	11.30	12.35	12.35
Tier 1 capital adequacy ratio (%)	9.94	9.74	10.76	10.76
Core tier 1 capital adequacy ratio (%)	8.06	7.86	8.69	8.69

Note: Capital adequacy ratio equals net capital/risk-weighted assets*100%. See table below for details of risk-weighted assets.

The following table sets forth the risk-weighted assets calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk-weighted assets are calculated using the method of weighting, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	December 31, 2022		December 31, 2021	
	The Group	The Bank	The Group	The Bank
Credit risk-weighted assets	1,003,182,997	1,002,646,155	904,314,644	904,314,644
Of which: On-balance sheet credit risk	938,335,166	937,798,324	850,942,779	850,942,779
Off-balance sheet credit risk	62,706,781	62,706,781	52,113,951	52,113,951
Counterparty credit risk	2,141,050	2,141,050	1,257,914	1,257,914
Market risk-weighted assets	4,233,476	4,233,476	7,622,511	7,622,511
Operational risk-weighted assets	54,462,589	54,462,589	55,846,759	55,846,759
Total risk-weighted assets	1,061,879,062	1,061,342,220	967,783,914	967,783,914

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Group's and the Bank's on-balance sheet credit risk exposure included RMB59,898 million of on-balance sheet asset securitization risk exposure and RMB12,988 million of risk-weighted assets.

VII. LEVERAGE RATIO

The Group measured the leverage ratio pursuant to the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	December 31, 2022	December 31, 2021
Tier 1 capital	109,951,034	106,564,077
Tier 1 capital deductions	(4,362,055)	(2,454,831)
Total adjusted on-balance sheet and off-balance sheet assets	1,943,617,486	1,840,929,792
Of which: Total adjusted on-balance sheet assets	1,653,886,331	1,579,576,613
Total adjusted off-balance sheet assets	287,609,535	257,449,988
Others	2,121,620	3,903,191
Leverage ratio (%)	5.43	5.66

VIII. SEGMENT REPORTING

The following table shows the segment performance of the Group by business segment for the periods indicated:

(Unit: RMB'000)

	2022		2021	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	14,631,152	1,989,746	12,985,310	3,333,055
Retail banking	9,648,831	3,423,090	10,351,875	3,793,616
Financial markets	2,079,473	1,226,838	5,742,493	3,316,576
Others	105,764	(128,220)	114,686	(139,450)
Total	26,465,220	6,511,454	29,194,364	10,303,797

The following table shows the segment performance of the Group by geographic region for the periods indicated:

(Unit: RMB'000)

	2022		2021	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	14,248,429	1,728,883	16,713,854	5,497,224
Eastern China	5,470,706	2,555,686	5,516,553	2,420,915
Central and Southern China	4,895,575	1,565,893	5,098,228	1,368,924
Western China	1,850,510	660,992	1,865,729	1,016,734
Total	26,465,220	6,511,454	29,194,364	10,303,797

IX. LOAN QUALITY ANALYSIS

(I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Normal loans	912,701,089	95.35	911,529,352	95.41
Special mention loans	27,709,018	2.89	26,991,348	2.83
NPLs	16,806,871	1.76	16,834,547	1.76
Of which: Substandard loans	5,763,962	0.61	7,773,484	0.81
Doubtful loans	6,141,332	0.64	6,045,599	0.63
Loss loans	4,901,577	0.51	3,015,464	0.32
Gross loans and advances to customers	957,216,978	100.00	955,355,247	100.00

(II) Loan Migration

(Unit: %)

	December 31, 2022	December 31, 2021	December 31, 2020
Migration rate of normal loans	1.33	3.00	4.57
Migration rate of special mention loans	19.93	19.62	12.16
Migration rate of substandard loans	74.56	89.73	83.46
Migration rate of doubtful loans	15.65	17.24	12.08

(III) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	December 31, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	535,149,187	55.90	10,007,974	1.87	537,239,254	56.23	11,935,572	2.22
Of which: Short-term corporate loans	191,629,085	20.02	5,311,928	2.77	233,536,298	24.44	6,589,514	2.82
Medium- and long-term corporate loans	343,520,102	35.88	4,696,046	1.37	303,702,956	31.79	5,346,058	1.76
Discounted bills	85,532,135	8.94	5,787	0.01	76,698,756	8.03	-	-
Of which: Bank acceptance bills	84,325,036	8.81	-	-	74,255,944	7.77	-	-
Commercial acceptance bills	1,207,099	0.13	5,787	0.48	2,442,812	0.26	-	-
Personal loans	336,535,656	35.16	6,793,110	2.02	341,417,237	35.74	4,898,975	1.43
Of which: Residential and commercial housing loans	179,624,947	18.77	1,379,772	0.77	191,493,666	20.04	819,453	0.43
Personal consumption loans	104,693,328	10.94	4,852,040	4.63	103,737,632	10.86	3,553,159	3.43
Personal business loans	52,217,381	5.45	561,298	1.07	46,185,939	4.84	526,363	1.14
Gross loans and advances to customers	957,216,978	100.00	16,806,871	1.76	955,355,247	100.00	16,834,547	1.76

(IV) Distribution of Corporate Loans and NPLs by Industry

(Unit: RMB'000)

	December 31, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Lease and business services	187,018,161	19.54	1,489,632	0.80	180,718,892	18.91	1,739,708	0.96
Real estate	92,621,820	9.68	2,656,910	2.87	75,817,353	7.94	2,811,659	3.71
Manufacturing	82,907,974	8.66	2,040,884	2.46	100,507,008	10.52	3,236,795	3.22
Water conservancy, environment and public facilities management	60,278,167	6.30	27,684	0.05	60,174,126	6.30	71,073	0.12
Wholesale and retail	35,853,747	3.75	1,742,906	4.86	44,945,025	4.70	2,217,513	4.93
Construction	25,013,619	2.61	930,127	3.72	26,574,895	2.78	991,811	3.73
Transportations and communications, storage and post	12,309,380	1.29	425,846	3.46	13,109,144	1.37	46,021	0.35
Production and supply of electricity, heat, gas and water	10,304,895	1.08	125,939	1.22	9,554,863	1.00	5,939	0.06
Mining	7,873,478	0.82	117,479	1.49	8,745,021	0.92	155,693	1.78
Finance	7,355,225	0.77	-	-	5,805,897	0.61	-	-
Agriculture, forestry, animal husbandry and fishery	3,242,134	0.34	15,000	0.46	2,049,445	0.21	-	-
Information transmission, software and IT services	2,103,520	0.22	81,252	3.86	1,577,679	0.17	84,923	5.38
Scientific research and technical services	2,070,561	0.22	100,154	4.84	1,642,644	0.17	258,019	15.71
Others	6,196,506	0.62	254,161	4.10	6,017,262	0.63	316,418	5.26
Gross corporate loans and advances	535,149,187	55.90	10,007,974	1.87	537,239,254	56.23	11,935,572	2.22

(V) Distribution of Loans and NPLs by Geographical Areas

(Unit: RMB'000)

	December 31, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	426,563,367	44.57	6,550,635	1.54	395,136,402	41.36	7,459,702	1.89
Eastern China	222,939,866	23.29	2,812,813	1.26	240,292,222	25.15	2,777,614	1.16
Central and Southern China	224,585,557	23.46	6,801,970	3.03	232,967,007	24.39	5,994,187	2.57
Western China	83,128,188	8.68	641,453	0.77	86,959,616	9.10	603,044	0.69
Gross loans and advances to customers	957,216,978	100.00	16,806,871	1.76	955,355,247	100.00	16,834,547	1.76

(VI) Distribution of Loans and NPLs by Security Type

(Unit: RMB'000)

	December 31, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Collateralized loans	307,784,561	32.15	5,486,068	1.78	303,198,889	31.74	4,432,025	1.46
Pledged loans	166,710,257	17.42	1,534,545	0.92	204,817,173	21.44	3,213,644	1.57
Guaranteed loans	295,736,739	30.90	4,529,245	1.53	272,839,508	28.56	5,316,299	1.95
Unsecured loans	186,985,421	19.53	5,257,013	2.81	174,499,677	18.26	3,872,579	2.22
Gross loans and advances to customers	957,216,978	100.00	16,806,871	1.76	955,355,247	100.00	16,834,547	1.76

(VII) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the overdue loans amounted to RMB26,650.47 million, representing a decrease of RMB11,905.29 million as compared to the end of the previous year.

(Unit: RMB'000)

	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue within three months	12,218,342	1.28	24,010,144	2.51
Overdue more than three months to one year	4,544,252	0.47	6,286,462	0.66
Overdue more than one year to three years	8,019,592	0.84	6,256,132	0.65
Overdue more than three years	1,868,287	0.20	2,003,029	0.21
Total overdue loans	26,650,473	2.79	38,555,767	4.03
Gross loans and advances to customers	957,216,978	100.00	955,355,247	100.00

(VIII) Loans to Ten Largest Customers Who Are Single Borrowers

(Unit: RMB'000)

Borrowers	Industry	December 31, 2022			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Lease and business services	8,195,000	–	6.71	0.86
Customer B	Lease and business services	8,147,162	–	6.67	0.85
Customer C	Lease and business services	7,597,615	–	6.22	0.79
Customer D	Manufacturing	7,459,997	–	6.11	0.78
Customer E	Manufacturing	6,361,261	–	5.21	0.66
Customer F	Construction	5,587,000	–	4.58	0.58
Customer G	Lease and business services	4,775,000	–	3.91	0.50
Customer H	Lease and business services	4,605,000	–	3.77	0.48
Customer I	Lease and business services	4,600,000	–	3.77	0.48
Customer J	Manufacturing	3,785,924	–	3.10	0.40
Total	–	61,113,959	–	50.05	6.38

(IX) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As of the end of the Reporting Period, the balance of restructured loans amounted to RMB1,213.5402 million, representing a decrease of 12.45% as compared to the end of the previous year.

(X) Repossessed Assets

As of the end of the Reporting Period, the Bank had no repossessed assets.

(XI) Risk Management on Credit Extension to Group Customers

Our Bank has attached great importance to the risk management on credit extension to group customers, and has achieved online management of group customer relationships with ever-growing management capabilities. In the process of investigation, evaluation and review of credit extension to group customers, we have strengthened the identification and prevention of overall risk to group customers, and avoided the uncertainties caused by complex equity structure and diversified expansion operations. We have focused on the review of the authenticity of the background of the credit extension plan and the reliability of the source of repayment, preventing enterprises from whitewashing the statements and transferring funds through improper related transactions. We have been aiming to strengthen the identification for group customers' overall development trend. In principle, we have been making sure the credit extension funds are invested in the core enterprises and core sectors, preventing misappropriation of funds, long-term use of short-term loans, and credit funds from entering the construction or operations of other sectors. We have been conducting in-depth analysis to group customers' scale, growth, risk tolerance and existing credit extensions of other banks and other factors. Combining with the Bank's capital scale and risk tolerance, we have reasonably determined the overall credit line for group customers, and prevented the risk of excessive concentration of credit extension. We have established an early warning mechanism to provide early warnings and take corresponding risk control measures in time by collecting and analyzing relevant information of group customers.

(XII) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB18,649 million of non-performing assets through means such as cash collection, write-off of bad debts, and bankruptcy reorganization.

(XIII) Allowance for Loan Impairment

1. Loans and advances to customers measured at amortised cost

(Unit: RMB'000)

	2022	2021
Opening balance	22,744,711	24,825,848
Charge	6,673,120	7,555,292
Transfer out	(642,147)	(3,471,058)
Write-off	(5,220,329)	(6,316,008)
Recoveries	256,775	161,633
Exchange rate changes and others	19,655	(10,996)
Closing balance	23,831,785	22,744,711

2. Loans and advances to customers measured at fair value through other comprehensive income

(Unit: RMB'000)

	2022	2021
Opening balance	87,437	127,184
Charge	1,450,695	(39,747)
Transfer out	—	—
Write-off	—	—
Recoveries	—	—
Exchange rate changes and others	—	—
Closing balance	1,538,132	87,437

(XIV) Large Exposure

The Bank has strictly implemented the regulatory requirements of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and continuously enhanced the management of large exposures. The Bank has established and improved the organizational structure for the management of large risk exposures, and built an operating mechanism that is mutually connected and effectively checks and balances. It strengthens the construction of large risk exposure management system, continuously monitors changes in large risk exposures, and effectively support the management of large risk exposures. During the Reporting Period, all large exposures indicators of the Bank at the end of each quarter met expected requirements.

X. MAIN BUSINESS OPERATION AND MANAGEMENT

(I) Corporate Banking Business

During the Reporting Period, the corporate banking adhered to its fundamental purpose of serving the national strategic objectives and the real economy, persevered in transforming into a transaction bank and a light-model bank, enhanced operational restructuring, accelerated the shift of operational mode, further innovated its products and services, gradually built a full-featured product and service platform, constantly consolidated the ability in active risk prevention and control, and continuously improved the level of operation and management, so as to maintain steady development of all businesses.

Customer development

During the Reporting Period, the corporate banking adhered to customer-centric operation, and deeply promoted its basic customer base development by ecological thinking around the Fourth “Five-Year Plan”. For basic customers, the corporate banking erected a list-based customer marketing system, made detailed plan of actions, enhanced the process management of marketing and customer expansion, and achieved significant results. For institutional customers, the corporate banking made significant customer expansion in education, healthcare, people’s livelihood and other fields, obviously promoted the contracting of customers for payroll service, and initially linked the wholesale and retail banking businesses. As of the end of the Reporting Period, the total number of corporate customers increased by 16.71% as compared to the end of the previous year. At the same time, empowered by digital transformation, the Bank built “all-in-one” corporate banking app, gradually promoted the digitization of operation and management, made breakthroughs in list navigation, visitor marketing etc., and gradually increased the Bank’s core service capabilities in corporate banking business, to offer high quality integrated financial services for our customers.

Liability business

During the Reporting Period, the corporate banking insisted on “developing bank by deposit”, and enhanced the stability and increase of deposits. The Bank promoted the steady deposit growths and the continuous deposit structure improvement by intensifying customer marketing and expansion efforts, improving product systems, and optimizing business functions. Considering market factors and our reality, the corporate banking actively reduced foreign currency deposits and optimized its currency structure. Meanwhile, it made great efforts in expanding institutional deposits, and, with finance as the core, with special bonds and housing construction as the wings, made continuous breakthroughs in education, healthcare and justice fields. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB538.103 billion, representing a decrease of RMB18.027 billion or 3.24% as compared to the end of the previous year.

Asset business

During the Reporting Period, the corporate banking actively responded to the guidance of national policies, paid more attention to giving more financial support and making more loans to manufacturing, green finance, agriculture-related fields, improved the fit between business layout and real economy, and optimized its credit structure. The corporate banking supported the credit needs arising from manufacturing transformation and upgrade, and enhanced its support for medium- and long-term manufacturing loans. As of the end of the Reporting Period, the Bank’s balance of medium- and long-term loans to the manufacturing industry amounted to RMB32,044 million, representing an increase of 40.51% as compared to the end of the previous year. The corporate banking actively practiced green finance, and as of the end of the Reporting Period, the balance of green loans of the Bank amounted to RMB27,305 million, representing an increase of 10.46% as compared to the end of the previous year. Innovative breakthroughs were made in rural revitalization, and as of the end of the Reporting Period, the balance of agriculture-related loans of the Bank amounted to RMB50,571 million, representing an increase of 7.15% as compared to the end of the previous year. Meanwhile, the corporate banking supported the healthy and steady development of the real estate market on the basis of compliance operation and satisfying regulatory requirements. As of the end of the Reporting Period, the gross corporate loans amounted to RMB535.149 billion, representing a decrease of RMB2.090 billion or 0.39% as compared to the end of the previous year, which was basically the same as that of the previous year.

Transaction banking business

During the Reporting Period, the transaction banking always followed the “light-model” development objectives, implemented the deployments of the Fourth “Five-Year Plan”, continued to promote resource-saving-type businesses, product scenario upgrade and integrated marketing to customers. The Bank built the “settlement + financing”, “domestic + overseas”, “digital + scenario-based” transaction banking business. As of the end of the Reporting Period, the transaction banking intermediary business realized an income of RMB1,320 million, representing a year-on-year increase of 25.24%, showing stable growth of transaction banking product comprehensive income.

During the Reporting Period, the transaction banking was committed to building a system of treasury manager platforms: firstly, building a brand new cross-border financial integrated service platform under the brand of “CBHB Global Payment (渤銀全球速匯)” to realize full process tracking, transparent rates, timely payment services, offering customers an efficient, industry-leading cross-border payment experience, and facilitating the real economy to return to growth with “rapid and straightforward” reduced rates and lower profit margins; secondly, building an open supply chain financial service platform based on core corporate credit and data to realize credit financing for industry chain upstream customers; offering government procurement orders financing for medium to small sized corporate customers holding government procurement orders by docking with PBoC’s receivable financing service platform; rendering the full process online upgrade of domestic L/C and financing on the back of PBoC’s electronic L/C and electronic forfaiting system; launching online electronic letter of guarantee business timely during the pandemic, realizing precision guarantees for contingent matters of entities online in a non-contact manner, thus effectively reducing capital occupation; thirdly, building a bills service platform, where the Bank, as one of the earliest pilot financial institutions approved by Shanghai Commercial Paper Exchange, launched a new generation of bills business system on November 5, 2022, to connect directly with Shanghai Commercial Paper Exchange, thus further improving our capabilities of serving the real economy with bills services.

Investment banking business

During the Reporting Period, the transformation of the investment banking business to practise the FPA business development concept achieved initial results, and financial support for the real economy improved in quality and efficiency, serving the needs of national strategies and regional economic transformation and development with practical actions while meeting the needs of the real economy for comprehensive financial solutions. The Bank continued to consolidate our traditional strengths in the bond underwriting business, with our underwriting scale of debt financing instruments in the interbank market growing against the trend. Innovative products were also quickly launched and promoted. The Bank focused on the development of the transaction facilitation business, and continued to strengthen our collaboration and mutual empowerment with capital institutions such as insurance companies, leasing companies, securities firms, trusts and funds, promoting the Bank’s transformation from the role of a capital provider to an asset facilitator and helping the Bank transform into a “light-model bank”. During the Reporting Period, the transaction facilitation business provided high-quality corporate customers with multi-channel financing of over RMB40 billion, doubling the volume of matchmaking. The Bank increased the total scale and improved the structure of our customer financing business under the FPA caliber, which provided three-dimensional, comprehensive and multi-level financing support to corporate customers, and better satisfied the indirect and direct financing needs of the customers’ whole balance sheet and life cycle. The Bank also developed businesses such as on-balance sheet mergers and acquisitions and syndicated loans, focused on key areas and scenarios, such as the restructuring of state-owned assets, the increase of shareholders’ shareholding in listed companies, real estate mergers and acquisitions, infrastructure, urban renewal and green energy and built a special financing ecosystem. In addition, the Bank accelerated the securitization of supply chain assets and successfully launched the asset flow business, which accelerated our transformation into a “light-model bank” with a traffic concept.

Asset custodian business

During the Reporting Period, the strategic custodian products of the custodian business included four products, namely wealth management products, trust plans, mutual funds and private funds, which further enriched its business variety and strengthened the customer base. The industry-leading integrated management platform for the custody business was launched for trial run, which digitalized the asset custody business and took the customer service experience and the whole business management process to a new level. A sound system for the asset custody business was established and the ability to operate in compliance with regulation of the asset custody business was enhanced. As of the end of the Reporting Period, the custody and outsourcing business reached RMB2,058.106 billion and yielded a revenue of RMB400.2896 million for the year. According to the statistics of the China Banking Association at the end of 2022, the Bank ranked 19th in terms of total assets in custody and 20th in terms of custody portfolio among all 28 qualified custodian banks.

Inclusive finance business

During the Reporting Period, the Bank fully followed the decisions and plans of the Party Central Committee and the State Council, and was in line with the "Stability on Six Key Fronts (六穩)", fully fulfilled the "Security in Six Key Areas (六保)", undertook additional responsibilities, continued to expand our finance services for small and micro enterprises, and fully supported the recovery and quality development of small and micro enterprises. In terms of business development, the Bank adhered to the development strategy of "getting bigger in short term and better in long term", focused on the business direction of "big data, strong guarantee and housing credit", and focused on "system, platform, circle and chain, scenario and ecosystem", and pursued a bulk, ecological and professional development pathway, which improved the overall coverage of inclusive finance. The Bank continued to optimize and innovate and established a multi-scenarios, multi-level and multi-dimensional inclusive finance product system. The "Bohai Bank Housing Loan" streamlined the business process, optimized the risk control strategy and increased the automatic approval rate. The "Bohai Bank Commercial Loan" was further renovated and upgraded to meet the financing needs of customers in different scenarios. The "Medical Insurance Loan" product made full use of the data from the medical insurance system and big data from industry and commerce, justice and credit to determine a customer's operating conditions. Credit loans were issued online, which significantly increased the convenience of receiving loans. The Bank optimized the overall business process, revised the due diligence exemption system, optimized the assessment and incentive mechanism, increased internal transfer pricing concessions, and provided differentiated pricing concessions to key areas and key industries, such as freight logistics and manufacturing, affected by the epidemic. The Bank further increased credit allocation in key areas and industries, steadily reduced financing costs of small and micro enterprises, and continued to improve service efficiency and standards to achieve healthy and sustainable development of the inclusive finance business.

As of the end of the Reporting Period, the balance of inclusive small and micro loans of the Bank was RMB65.731 billion, representing an increase of RMB6.249 billion or 10.51% as compared to the end of the previous year; the number of loan accounts was 161,777, representing an increase of 15,559 or 10.64% as compared to the end of the previous year; the average loan execution rate was 5.71%, representing a decrease of 0.27 percentage point as compared to the end of the previous year; the non-performing inclusive small and micro loan ratio was 1.33%, which basically remained stable.

(II) Retail Banking Business

During the Reporting Period, the retail banking focused on the three major missions of “revenue, deposits and customers”, firmly implemented the “4-4-4-3-3” retail transformation strategy, further improved the outlet layout in key cities, and launched a new mobile banking version 6.0 to accelerate the infrastructure construction for retail banking’s digital transformation. This led to a rapid increase in the productivity of online and offline businesses and steady growth in operating results.

During the Reporting Period, the retail line achieved operating income of RMB9,649 million, accounting for 36.46% of the Bank’s operating revenue, representing an increase of 1 percentage point as compared to the end of the previous year. As of the end of the Reporting Period, personal deposits totaled RMB168,724 million, representing an increase of RMB33,793 million or 25.04% as compared to the end of the previous year; personal loans totaled RMB336,536 million, representing a decrease of RMB4,882 million as compared to the end of the previous year; the total number of retail customers was 6,721,400, representing a year-on-year increase of 961,200 or 16.69%.

Liability business

During the Reporting Period, the Bank adhered to customer-centric operation, gained insight into market changes and customer needs, implemented customer asset allocation strategies, and continued to leverage the capacity of deposits to serve personal customers and support the growth of wealth assets, resulting in a rapid increase in the scale of retail deposits. In particular, in the fourth quarter of 2022, the growth of deposits accelerated through strengthening the refined marketing system and building a differentiated product system, achieving a new breakthrough of RMB30.1 billion in a single quarter. Specific measures were as follows: Firstly, the Bank enriched our advantageous products for asset allocation marketing, optimized the deposit structure and interest payment rate, and introduced call deposit products with regionally differentiated interest rates, leading to a year-on-year increase of RMB3,550 million in terms of balance. Secondly, the Bank continued to strengthen the construction of the transaction channels for deposit products, rolled out the “Bo Xue Duo Cai (渤海多財)” application and the “Wealth and Treasury Manager Official Account (財資管家公眾號)”, a proprietary platform and sales channel, so as to further enhance the service capabilities of the Bank’s deposit products. Thirdly, efforts were continuously made in the marketing of key time deposit products such as certificates of deposits and Bohai Time Deposits (渤海定存), with improvements in the Bank’s ability to secure and absorb deposits offline as well as further consolidation of the deposit base of our outlets. As of the end of the Reporting Period, the total personal deposits amounted to RMB168,724 million, representing an increase of RMB33,793 million or 25.04% for the year.

Asset business

During the Reporting Period, following China’s credit policy, the Bank’s retail asset business continuously improved the spectrum of consumer loan products and broadened the scenario ecosystem to maintain steady development. The Bank overcame the adverse effects of fluctuations in the real estate market and the decline in scale due to the tightening of the platform lending policy, and filled the gap by accelerating the growth of its proprietary credit business to ensure the basic stability of the scale. The proprietary credit business had initially realized the ecological model of “water storage and fish farming”. By clarifying customer segments, sorting out products and optimizing risk control, the Bank launched the “Boyin E-loan” (渤海E貸) consumer loan product spectrum based on hook products and competitive products such as the Golden Lending Loan, Provident Fund Contribution-based Loan and Quick and Easy Loan, covering all target customers from middle and high-end customers to downstream customers. By selecting scenarios and focusing on customer groups, the Bank continued to broaden the scenarios of ecological finance, embed cooperation projects in large-scale group scenarios, and create customized products, which gradually showed operating results. As of the end of the Reporting Period, the Bank’s total personal loans amounted to RMB336,536 million, representing a decrease of 1.43% as compared to the end of the previous year.

Customer development

During the Reporting Period, the retail banking focused on channel construction, customer management and smart operations to continuously improve the quality and efficiency of customer segments. Firstly, the Bank accelerated the growth of our basic customer groups, scaled up the construction of basic platforms, strengthened the building of basic capabilities, and solidified the foundation for customer development. Secondly, the Bank solidly promoted the stratification and grouping of retail customers, the division and management of accounts by wealth managers, and the upgrade and enhancement of outlet capacities, which significantly improved the comprehensive customer service capabilities. Thirdly, the Bank clarified the importance of channel expansion in customer acquisition. With a focus on the four major customer markets of "Bozai, Borui, Boda and Botai (渤仔、渤銳、渤達、渤泰)", the Bank organized the establishment of a top-down system for customer expansion channels to form a mechanism for the linkage between the head office and branches, driving the rapid growth of the total customer volume. Fourthly, relying on big data technology and applying social operation tools, the Bank further expanded the scope of personalized services for customers with initial results in digital marketing. Fifthly, the Bank continued to optimize the remote smart financial service system, created a new marketing model for online-offline integrated, multi-channel and collaborative services, and achieved the goal of increasing wealth assets and mid-to-high-end customers.

As of the end of the Reporting Period, the total number of retail customers was 6,721,400, representing a year-on-year increase of 961,200 or an increase of 18.79% as compared with the increase for the previous year. The Bank vigorously expanded the construction of digital eco-banking and increased financial service cooperation with internet platform companies, serving a total of 22,363,300 individual customers as of the end of the Reporting Period.

Wealth management business

During the Reporting Period, the Bank continued to optimize the wealth management service system of "Boyin E-finance". Against the backdrop of strong volatility in the wealth management market, the Bank responded to changes in industry trends and customer needs by launching the "amortized cost method" wealth management products for the first time to help customers rebuild their investment confidence. The Bank continued to improve our agency wealth management business, with 2 new cooperative institutions and 22 issues of agency wealth management products launched. The agency standardized trusts covered the entire market, strategy and pipeline, and were available on a regular basis to meet customers' diversified wealth management needs. The Bank introduced the "fund investment advisory" service, launched the southern fund investment advisory portfolio, and provided customers with fully-entrusted public fund asset allocation services. The "Tian Jin Bao + (添金寶+)" business was upgraded with the number of monetary funds connected with it increased from 2 to 5, further improving customer experience. Adhering to professional empowerment, the Bank achieved a breakthrough in both customer and revenue scale of the insurance agency business. The number of insurance customers increased by 30.05% year on year, and revenue from the insurance agency business increased by 93.8% year on year. The Bank continued to improve our professional, efficient and intelligent private banking service system, and continuously optimized the service offerings of travel butler, health butler, intelligent butler and education butler to enhance the comprehensive capability of serving private banking customers. We had also been qualified for the first batch of personal pension business and took the lead in building a market-leading professional team of pension financial planners. Through the construction of financial and non-financial pension systems, the Bank optimized our customers' pension planning experience throughout the whole life cycle, nourishing key people's livelihood service industries such as the "grey-haired group (養老一族)" with financial resources.

Credit card business

During the Reporting Period, revenue from the credit card business was RMB190 million, representing a year-on-year increase of 88.77%. In particular, revenue from the credit card intermediary business was RMB118 million, representing a year-on-year increase of 63.17%.

During the Reporting Period, the credit card business accelerated its digital transformation and launched the Hi Card digital credit card. Based on Lego-style combination and assembly, and by means of comprehensive digital operation, card design and benefits selected by the customers, online application, instant approval, digital card issuance, activation and use were made available. The functions of PAD integration of integrated lending and credit card issuance as well as off-bank credit card activation were realized. Through customer profiling and database matching analysis, the Bank effectively identified customer needs, continued to conduct precise marketing of credit card business for white-listed premium customers and continuously enhanced the e-marketing business development capability of direct operation centers. As of the end of the Reporting Period, the Bank had issued an aggregate of 1,034,100 credit cards, representing an increase of 19.44% as compared to the end of the previous year. Credit card loan balance was RMB5,294 million, representing an increase of 12.18% as compared to the end of the previous year.

(III) Financial Market Business

During the Reporting Period, the financial market business of the Bank adapted to the macroeconomic situation and regulatory guidance, leading the business breakthrough with innovation drive, establishing industry reputation with market orientation, working intensively to lay a solid foundation and ensuring liquidity safety with bottom line thinking under the premise of operating in accordance with laws and regulations and keeping the bottom line of risk. The Bank received approval from the Shanghai Clearing House for RMB foreign exchange transaction and net bond clearing businesses, and its ranking in market transactions improved significantly. With the continuous deepening of its interbank customer operation, the Bank kept on enhancing our ability to promote business innovation and transformation development.

Wealth management business

During the Reporting Period, the Bank continued to enrich our wealth management product type and optimize product functions to meet customers' needs for premium wealth management services. It actively expanded out-of-bank agency sales channels and reached agency sales cooperation with a number of consignment agencies. During the Reporting Period, the Bank launched 594 wealth management products with a total sales amount of RMB1,571,677 million. As of the end of the Reporting Period, the Bank had 402 existing wealth management products with a balance of RMB168,992 million, of which net-worth products accounted for 87%. Among wealth management products, closed-end products accounted for 42.05%, and open-end products accounted for 57.95%. The assets of wealth management products were mainly allocated in the fixed income category, 74.75%, 12.79% and 7.99% of which were invested in bonds, non-standardized bonds and equity assets, respectively, while the remaining assets, including cash and interbank assets purchased under resale agreements, public funds and interbank deposit, accounted for 4.47%.

Treasury business

The Bank paid close attention to the market trends, actively carried out various transaction businesses by strengthening market research and judgment, and promptly captured market opportunities to increase transaction returns, and expand the scale and scope of transactions. The pledged repo trading volume of bonds surpassed RMB7 trillion for the year. In the annual excellence selection activities of the interbank domestic currency market, the Bank won the “Annual Market Influence Award – Core Dealer (年度市場影響力獎—核心交易商)” award consecutively. The Bank also actively participated in the innovative trading methods introduced by the China Foreign Exchange Trading System (e.g. X-repo anonymous click, RFQ request trading, etc.) and won several awards for innovative repo business from China Foreign Exchange Trading System, and actively fulfilled the responsibility of promoting monetary policies as a tier-one dealer, which greatly increased its market influence among other banks.

Facing the complex and volatile financial environment in both domestic and overseas markets, the Bank grasped the market opportunities, strengthened the study and judgment of trends of exchange rate and foreign currency market interest rates, flexibly adjusted trading strategies, actively carried out transactions in the interbank foreign exchange market, continuously improved its own trading capabilities, and enthusiastically participated in various standardized trading operations in the China Foreign Exchange Trading System. During the Reporting Period, the Bank’s ranking in all terms of foreign exchange transactions improved to varying degrees compared to the same period of the previous year, in which, the Bank ranked among the top 50 in terms of RMB foreign exchange swap market transactions.

Bond Business

In the face of the complex and volatile bond market, the Bank has strengthened the development of its bond business, flexibly utilized a different set of strategies for asset allocation, actively explored bond trading value, and steadily improved comprehensive income from bonds. As a general market maker in the interbank bond market, the Bank effectively fulfilled its obligations as a market maker, actively improved the bilateral quotation model, enriched the types of market-making transactions, improved market pricing capabilities and promoted itself as a comprehensive and competitive bond market maker.

During the Reporting Period, the Bank maintained steady growth in the volume of various financial market bond business and significantly improved our market ranking. The Bank ranked 22nd in the overall ranking of book-entry treasury bonds underwriting syndicates 2022 by the Ministry of Finance, representing an improvement of 9 ranks from 2021. The Bank was awarded the “Best Innovation and Cooperation Award” by China Agricultural Development Bank Financial Bond Underwriting Market Making Group in 2022 and the “Green Development Concept Promotion Award” by China Import and Export Bank Financial Bond Underwriting Market Making Group in 2022.

Interbank business

During the Reporting Period, apart from prevention and control of financial risks, the Bank promoted the transformation of asset allocation to a “light capital and light asset” approach, leading to an increasing proportion of standardized and low-risk weighted assets, while promoting the flow of interbank assets. The Bank continued to enrich the varieties of interbank liabilities business, optimized business processes, improved electronic transaction channels, such as online and internet banking, enhanced customer experience, returned to the origin of interbank business, and supported the real economy.

During the Reporting Period, the Bank continued to explore and promote the integrated operating system for interbank customers. By strengthening the application of customer territorial management and classification and stratification, the Bank selected a corresponding number of core and key interbank customers based on quantitative data, continued to build customer KYP profiles to continuously improve the average contribution of interbank customers. During the Reporting Period, the Bank’s effective interbank customers increased by 24.91% over the previous year, and the total external credit increased by 16.10% over the previous year. At the same time, the Bank established the Interbank Online Banking, an exclusive platform for the management of interbank customers, which acted as an exclusive customer expansion channel for its interbank customers to make up for its operational disadvantages and achieved 7*24 customer access. Through online and offline integrated management, the Bank enhanced our management capability in terms of customer expansion, acquisition, activation, stabilization, stickiness and transmission.

Agency business

During the Reporting Period, the Bank continued to strengthen the development of our agency business of treasury transactions, seize market opportunities, enhance product innovation and provide comprehensive exchange rate risk management services to customers. The Bank conducted different product training and compliance training, organized qualification examinations, which improved the professional skills and compliance awareness of product sales staff in all aspects. The Bank also actively implemented a self-regulatory mechanism for foreign exchange, increased our effort in the promotion of exchange rate risk awareness and helped establish risk-neutral concept for exchange rate among real enterprise customers. In addition, the Bank took various measures to reduce transaction costs and support the development of small, medium and micro enterprises.

Bill transactions business

During the Reporting Period, the Bank accurately followed the trend of the bill market in 2022, timely seized the favorable trading opportunities, and actively conducted transactions on bill markets to enlarge transaction volume. Meanwhile, the Bank extensively contacted all kinds of transaction entities in the bill market, which expanded our market influence, and obtained improvements in both trading capabilities and profitability. The Bank actively established a new generation of bill system of Shanghai Commercial Paper Exchange to fully achieve online transaction process, standardized transaction nodes, paperless transaction information and intelligent quota occupation, which solved the pain points and weaknesses of the Bank’s bill transactions over the years and enhanced our transaction capability in the second-tier bill market.

Interbank credit and agent bank network

During the Reporting Period, the Bank was granted sufficient credit limits by domestic and foreign banking institutions with a wide range of products to make the Bank maintain a stable development of all businesses. The credit amount granted by banking institutions and the number of institutions which granted credit experienced steady growth. As of the end of the Reporting Period, the Bank had established agent bank relationship with 521 head offices and branches in 67 countries and regions.

(IV) Online Financial Business

During the Reporting Period, the online financial business of the Bank continued to implement the Fourth "Five-Year Plan", gave full play to the empowerment of technology, and solidly pushed forward the implementation of the "4-4-4-3-3" retail business strategy, accelerating the digitalization and ecological transformation process on the basis of improving the integration of financial services.

Upgrading service channels and speeding up the digitalization of customer operation

In June 2022, Bohai Bank released mobile banking version 6.0. With the theme of "Better Finance for Better Life", the Bank was committed to building a main channel for customer service, a main battlefield for product innovation, and a main front for ecological construction. The Bank extended our digital transformation from financial services to life services to achieve interconnections among multiple channels such as physical outlets, cloud outlets and remote banking, building a closed loop for customer value enhancement.

Mobile banking is a breakthrough in the digital transformation of the Bank's retail business. Relying on integrated data, integrated marketing and integrated risk control, the Bank has launched a series of star products and services around its four major service brands, namely, Boyin E-payment, Boyin E-finance, Boyin E-loan and Boyin E Butler. The products and services include Hi Card, a new generation of digital credit card, individual pension service, Quick and Easy Loan, a type of consumer loan available for online application and approval, a comprehensive service area for agency payment and digital RMB products. Focusing on the needs of clothing, food, housing, transportation, consumer life, and government affairs and people's livelihood, the Bank has integrated and launched the "Bo Lan Hui (渤海惠)" points service platform. By building a new ecological service platform that is systematic, digital and open, it provides customers with intimate butler services that cover all ecological scenarios, full life cycle, all product spectrums and all channels.

Based on the customer portraits of thousands of people, our mobile banking has divided our customers into four major groups, namely Bozai, Borui, Boda and Botai, and reshaped the digital financial service journey based on the characteristics of each customer group. The Bank provided financial and business education services for young customers by launching the Bo Xue Duo Cai (渤海多财) mini-program; on the basis of providing exclusive deposit and financial products and services for elderly customers, we have upgraded the life rights services such as pension, health and special benefits and established Botai Club (渤海俱樂部).

Mobile banking is synchronously linked with the customer manager's intelligent sales management application Bohai on the Palm (掌上渤海), WeCom account and 5G messaging bank to build an integrated marketing system and realize the integration of digital operation capabilities and customer manager advisory service capabilities, thereby solidly promoting the "double boosting" strategy of "turbo charging" and "supercharging".

Standard output of products and services, comprehensive empowerment of the ecological scenario construction

Adhering to the service concept of “Finance Benefits People”, the Bank continued to strengthen its digital infrastructure capabilities. We signed a comprehensive business cooperation agreement with UnionPay to open up the account, payment and service segments, enrich convenient mobile payment scenarios and enhance customer service experience. Through open banking, the Bank has fully released its account capacity, payment capacity, digital operation capacity and multi-channel service capacity, connected the external scenario ecology with standardized products and services, and constructed an “open ecology” system with full-time deployment, resource aggregation, ecological operation, data drive, platform construction and security and risk control capabilities.

Based on “account + payment + financial products”, the online financial service business hall “cloud outlet” is built to delve into the needs of customers in financial scenarios and use hook products to divert customers in the ecosystem to offline outlets, improve the coverage and operation of the customers across circles and chains, industries and ecosystems, and strengthen customer value transformation. The Bank has joined hands with UnionPay to launch the “Cloud E-Connect (雲E通)” service, which provides, among other things, account management, payment and settlement, fund depository and guarantee transaction services for cooperative merchants, realizing a full-chain fund management scenario solution integrating “receipt, payment and management”. With the development direction of “inclusiveness, sharing and common benefit” of cloud outlet + mobile banking, the “smart campus” focuses on campus businesses of education payment and living consumption, providing comprehensive financial service solutions for integrated campus scenarios such as account system, payment and fund depository. During the Reporting Period, the Bank’s smart campus scenario established cooperation with more than 100 schools in many provinces across China, and high-frequency transaction scenarios such as enterprises’ payroll agency and smart transportation were being further improved to form standardized solutions.

According to the strategic deployment of the Fourth “Five-Year Plan”, the Bank’s ecological construction will be based on financial services such as bank account services, payment and settlement, and fund depository, and will target at different fields such as government affairs and people’s livelihood, retail consumption, industrial chains and financial interbanks, building a service platform for industry scenarios. It will continue to launch diversified and systematic comprehensive financial solutions, expand service boundaries and depth, and achieve new breakthroughs in financial ecological service models.

(V) The Construction of Branches

The Bank has scientifically coordinated and planned the layout and construction of regional and urban outlets, rapidly pushed forward the implementation of the “Light Boat Plan (輕舟計劃)”, continuously realized the clustering effect of physical outlets, actively explored the development of light-modeled banks, and specified the classification standards and functions of four types of outlets, namely flagship full-function sub-branches, comprehensive standardized sub-branches, comprehensive light sub-branches and ultra-light sub-branches. A scientific and efficient site selection mechanism has been established. The sales function of physical outlets in key cities has been strengthened to provide effective support for the Bank’s retail business development.

As of the end of the Reporting Period, the Bank has established outlets in 25 provinces, municipalities and autonomous regions, 5 sub-provincial cities and the Hong Kong Special Administrative Region, covering 65 key cities nationwide, and has established 36 tier-one branches (including 3 branches in Suzhou, Qingdao and Ningbo under direct management of the Head Office and 1 overseas branch), 33 tier-two branches, 245 sub-branches, and 22 small and micro community sub-branches. The total number of officially opened outlets reached 336, an increase of 47 outlets as compared with last year.

(VI) Assets and Liabilities and Financial Management

During the Reporting Period, the assets and liabilities management were led by party building with a focus on the strategic objectives of the Fourth “Five-Year Plan”. We aimed at service business transformation development, complied with regulatory guidance, adhered to bottom line and red line thinking, and centered on the two core tasks of management and services. We actively implemented macro-prudential management requirements, continued to optimize the allocation of resources, adjusted the business structure, and promoted the steady growth of assets and liabilities. We established a three-tier liquidity reserve mainly composed of high-liquidity assets to increase risk mitigation capacity, and improved the liability structure and capital stability through accurate forecasting, early judgment and cost reduction. We fully utilized the FTP baton and established a monthly business analysis and coordination mechanism to flexibly adjust product pricing and promote asset flow. We proactively responded to capital constraints, gave full play to our unique advantages of the bidding and matching mechanism in the market-based allocation of resources, explored efficiency-oriented capital allocation models, established a joint work meeting mechanism, accurately perceived the trend of international and domestic regulatory changes, promoted the implementation of the new Basel III requirements, actively responded to new capital regulations with forward-looking arrangements, and promoted the intensive transformation to the “light capital” model. We innovated the pricing management model, pushed forward the establishment of the “5M” balanced point pricing model, and enhanced the ability of customized and differentiated pricing management. We took the lead position in promoting the transformation and development of the Bank’s deposit and intermediary business, compiled an intermediary handbook and a deposit handbook, expanded revenue channels, sought revenue growth points, promoted the construction of a digital platform for the intermediary business, improved the level of refined management, continued to manage the policy of fee reduction and interest concession and normalize publicity, and conducted on-site inspection of branches to improve compliance management. Adhering to the bottom line of compliance, we strengthened risk awareness, enhanced trend prediction, made forward-looking deployment, carried out dynamic analysis of volume and price structures, and improved the level of refined risk management.

During the Reporting Period, with the guiding principles of standardizing management, increasing revenue and reducing expenditure, strengthening supervision, improving capabilities, enhancing communication, and supporting innovation and strategic transformation, the Bank’s financial management work adhered to the leadership of party building, further promoted the process of refined management, and continuously strengthened the responsibility to escort the operation and management. Firstly, on the basis of adhering to the principle of whole-workforce, comprehensive and whole-process as well as the positivity, orientation and feasibility of the budget, the Bank actively promoted the comprehensive budget management work, and at the same time strengthening the supervision and forecast of budget implementation to provide decision-making support for the management in achieving the annual business goals of the Bank. Secondly, the Bank continued to improve the resource allocation mechanism of labor costs and business costs, gave full play to the operation-oriented role of the cost allocation policy, and promoted the Bank to increase income, reduce costs and enhance efficiency. Thirdly, the Bank continuously strengthened the management of financial accounting and comprehensive business tax-related matters, fully rationalized the financial system, consolidated the foundation of accounting and tax management, and constantly deepened the concept of business-finance integration to provide professional financial and tax support for various business lines. Fourthly, from the five perspectives of management accounting system, window construction, application scenarios, system management and data quality management, the Bank continued to promote the construction of the management accounting system, advanced the completion of the construction, commissioning and promotion of the financial sharing system, constantly organized and advanced the automatic retrieval rate of regulatory reports, improved the automation level of regulatory statistics of branches and sub-branches, and gradually built a smart financial management system.

(VII) Information Technology Construction

2022 was a critical year of the Bank's Fourth "Five-Year Plan". Adhering to the development vision of a "modern wealth and treasury manager offering the best experience", the Bank considered digital transformation as one of the key drivers to achieve high-quality financial development. It closely focused on the financial technology transformation work ideas of "middle-end platform architecture, data-driven, intelligent operation and maintenance, agile and proactive", and continued to promote technology innovation and application through blockchain, cloud computing, big data, artificial intelligence, natural language processing and other technologies, and continuously enhancing the ability to control technology independently. The Bank also continued to consolidate the infrastructure of financial technology to provide strong technological support for business development, injecting strong impetus for the Bank to accelerate its digital transformation.

During the Reporting Period, the Bank adhered to the concept of developing scientific and technological innovation through talent innovation, and steadily promoted the introduction of financial technology talents. A large number of high-end talents and outstanding graduates from key universities were hired. As of the end of the Reporting Period, the Bank had 1,271 technology personnel (contract employees), accounting for 9.57% of its contract employees. The Bank further boosted technology leadership by strengthening its talent pool and talent cultivation.

During the Reporting Period, the Bank made every effort to promote high quality transformation and development, and continued to invest more resources in technology, with an annual investment in technology of RMB1.26 billion. The Bank promoted the quality implementation of the Fourth "Five-Year Plan" for technology and sped up the construction of key projects such as the "Blue Ocean Project": the Bank successively launched mobile banking 6.0, a new version application of corporate online banking and the new App of Bohai on the Palm (掌上渤海), steadily realizing the general goal of "one device for all". The Bank also launched its self-developed micro-service distributed business middle-end basic technology platform to build a "big heart" with high concurrency and high flexibility. The Bank has initially completed the construction of Big Data Platform Based on Data Lakehouse to prioritize data value creation and service provisioning capabilities for high-value business scenarios. The Bank actively embraced cutting-edge financial technologies and successfully implemented them in many business scenarios. It completed the construction of key projects such as a new generation of bill system, the intelligent investment advisory system for trading fund, the unified quotation platform in the financial market, the risk measurement system and the data asset management platform, comprehensively improving the quality and efficiency of the Bank's digital transformation.

During the Reporting Period, the Bank constructed a multi-site cloud computing platform based on Bohai Cloud (渤海云) with four centers in two places to build a same-city, multi-site resilience capability, bringing new momentum to the Bank's business innovation and development. The Bank continuously optimized the construction of its operation and maintenance system, and built a real-time transaction link monitoring and fault detection platform, thus forming production and operation capability with active response and intelligent decision-making. During the Reporting Period, the Bank achieved an overall production system availability rate of more than 99.9% and critical system availability rate of more than 99.95% without major interruptions.

(VIII) Business Profiles of Hong Kong Branch

The Hong Kong Branch of the Bank was established in 2020 and is the first overseas branch established by the Bank. The Hong Kong Branch, as a licensed bank, operates a full range of commercial banking services. Presently, its scope of operations mainly involves wholesale banking and treasury businesses. The Hong Kong Branch is focusing on cross-border banking services and business development opportunities such as the “Belt and Road”, RMB internationalization and the Guangdong-Hong Kong-Macao Greater Bay Area, to enhance the Bank’s international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as integrated account management, cross-border RMB, deposits, treasury settlement and clearing, corporate financing business including but not limited to cross-border business (offshore debt under onshore guarantee, foreign debt supported by onshore standby letter of credit, onshore debt under offshore guarantee, etc.), green financing, trade financing, bilateral loans, syndicated loans, collateral loans, guarantee business (issuance of standby letter of credit, performance guarantee, payment guarantees for construction projects), etc. At the same time, it is involved in money market business, bond investments, certificate of deposit issuance, notes issuance and foreign exchange transactions, etc. At the end of the Reporting Period, total assets of Hong Kong Branch of the Bank equivalent of HK\$9,738 million.

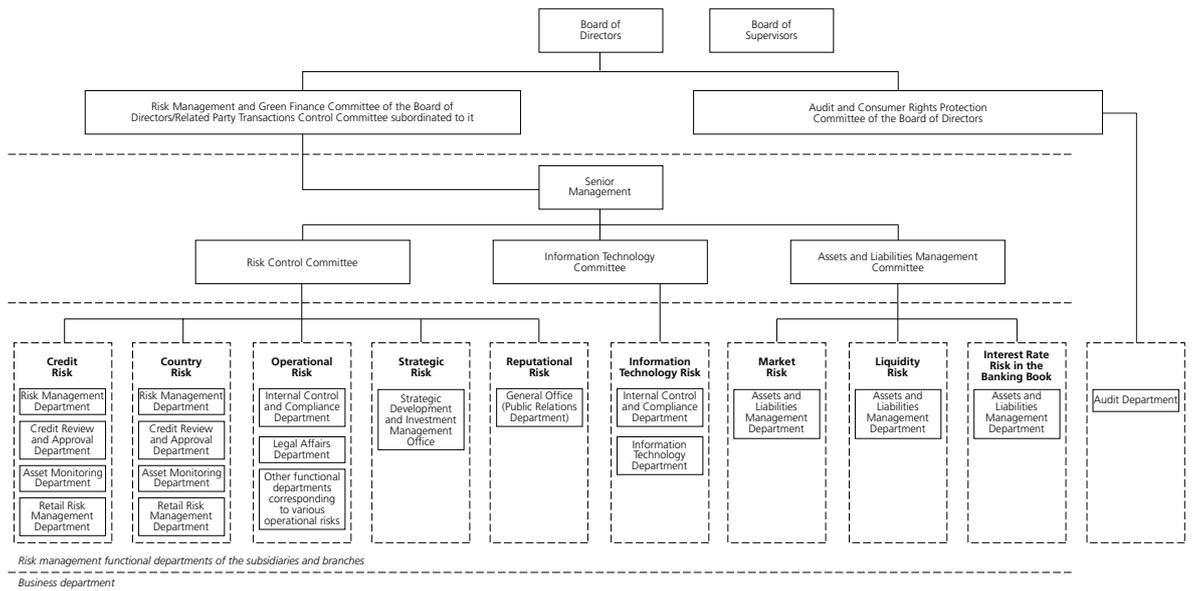
(IX) Business Profiles of Major Subsidiaries

Established in 2022 with a registered capital of RMB2 billion, CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司) (“CBHB Wealth Management”) is a wholly-owned subsidiary of the Bank. Its major businesses include the public issuance of wealth management products to the general public, non-public issuance of wealth management products to qualified investors, consultancy and advisory services on wealth management, etc. The establishment of CBHB Wealth Management is an important strategic initiative for the Bank to strictly implement regulatory requirements, facilitate the healthy development of the wealth management business and drive the return of the Bank’s wealth management business to the essence of asset management business. As a wholly-owned subsidiary of the Bank, CBHB Wealth Management is an important step for the Bank to implement its business strategy, enrich its financial product and service offerings, and meet diversified financial service demands of its customers. As of the end of the Reporting Period, CBHB Wealth Management has not officially opened for business.

XI. COMPREHENSIVE RISK MANAGEMENT

(I) Comprehensive Risk Management Summary

Strictly maintaining the bottom line of risk management, upholding the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主動、敏捷、到位)”, and adhering to the “prudent” risk appetite, the Bank continuously improves its ability to prevent and mitigate financial risks, strengthens the characteristics of technology-driven, customer-driven, innovation-driven and data-driven, and further improves the level of refinement, standardization, digitalization and process of risk management, thereby promoting business transformation and upgrading with smart and agile risk control capabilities, and effectively guaranteeing the stable, balanced and sustainable development of the Bank’s various businesses.



The Board of Directors of the Bank assumes the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implement the resolutions of the Board of Directors.

The Bank has senior management personnel (the chief risk officer) in charge of risk management line, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Strategic Development and Investment Management Office, which assume responsibilities for formulating policies and procedures, supervising and managing risk. The third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of the first and second lines of defense.

(II) Credit Risk

During the Reporting Period, the Bank practiced the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主動、敏捷、到位)”, and comprehensively improved its risk management capabilities, thereby achieving healthy and stable asset quality, as well as steady and controllable credit risks.

Firstly, consolidating asset quality. The Bank firmly tightened the chord of risk prevention and control and guarded the bottom line of avoiding major risks. We continued to do a good job in the collection and resolution of key monitored assets and set up a special team for risk resolution of large key monitored customers. We adopted a three-tier linkage management model of head office, branches and sub-branches, with head office level leaders taking the lead in organizing risk prevention and resolution, using one policy for one customer in collecting and resolving. We closely monitored the risks of large group customers, conducted real-time monitoring of sudden public opinion and abnormal business trends of large enterprise group customers, and widely collected and deeply analyzed customer risk information. We demanded benefits from non-performing assets, improved the performance evaluation plan related to asset quality, further strengthened the appraisal for cash collection and scale reduction of troubled assets, effectively enhanced the enthusiasm and initiative of collection and resolution work, and improved the quality and efficiency of collection and disposal. As of the end of the Reporting Period, the Bank had a NPL ratio of 1.76%, same as the end of the previous year, and the ratio of loans overdue for more than 90 days to NPLs was 85.87%; the allowance coverage ratio was 150.95% and the allowance to gross loan ratio was 2.65%, achieving the dual objectives of stabilizing asset quality and resisting expected credit risks.

Secondly, strengthening basic management. The Bank improved the management system of unified comprehensive credit granting, added and renovated credit risk management system functions, introduced regulations and systems to strengthen the management of low credit risk business, and improved the management and control of all aspects of the credit management process. Measures such as moving forward risks, parallel operations, addition of dedicated staff into agile project teams and whole-process follow-up were continuously adopted to support business departments in actively expanding customer base and developing products. As such, risk control measures and concepts were implemented throughout the entire product life cycle from the design stage while coordinating with business developments. Through regular branch supervision and inspection, typical case review and analysis of existing large-amount credits, we were kept abreast of movements, discovered hidden dangers and were warned of risks. At the same time, the Bank explored the root problems of systems, processes and inertial thinking reflected in the cases to sum up the experience and prevent errors at the onset. We set up a bank-wide asset security management structure, gradually implemented professional overall management and disposal, and promoted the establishment of asset security departments in eligible branches. We improved the due diligence work specifications for credit positions and promoted the improvement of the level of due diligence of all positions throughout the entire credit process. We continued to promote the optimization and upgrade of the automated approval of first-hand and second-hand housing “Cloud Mortgage” (雲按揭), Housing Flash Loans (房閃貸), Housing Mortgage Fast Loan (房抵快貸) and Golden Lending Loan (金領貸) focusing on the three types of businesses of “housing mortgage, big data and strong guarantee (住房抵、大數據、強擔保)”, so as to enhance the market competitiveness of the hit products and hook products of the retail inclusive business.

Thirdly, optimizing the credit structure. Based on the objectives of optimizing the structure, reducing risks and increasing revenue, the Bank issued annual credit policies, vigorously developed inclusive financial services, conscientiously implemented various financial support policies during the pandemic, served private enterprises, supported the high-quality development of the manufacturing industry, served the rural areas, agriculture and farmers as well as rural revitalization, diverted credit resources to the real economy and green finance, and adopted regionally differentiated policies to support the transformation and development of featured local businesses. We established a risk management and control mechanism for large credit extension, completed the construction of a large risk exposures management system, realized intelligent identification and summary of risk exposures in full-caliber asset business, and improved the automatic data extraction rate. We strengthened the risk management of the real estate industry and implemented various regulatory requirements to support the stable and healthy development of the real estate market. We focused on key business areas such as specialized, sophisticated, unique and new businesses and urban renewal, and strengthened the three-in-one policy guidance of marketing, credit granting, and approval. With reference to 35 credit guidelines for the corporate business industry, we sorted out more than 500 customer access criteria and embedded them in the system to enhance the level of support for intelligent decision-making auxiliary tools. We formulated credit risk limit plans to specify the “ceiling” of the total credit risk control of key industries, regions and businesses, and firmly abided by the risk boundary.

Fourthly, improving the system model. The Bank upgraded the real estate credit business decision support model and the government debt solvency evaluation model, expanded the coverage of the models, deepened the collection and application of big data and enriched the application scenarios of models such as cockpit and mobile terminals, thereby providing grounds for quantitative decision-making. Focusing on key areas such as advanced manufacturing and advanced service industries, we expanded and refined the legal clients rating model, continued to promote the development of tools for the corporate credit approval system model, and put into operation the intelligent approval model for government and credit bond investment business and the iron and steel industry turnover business and standardized investigation report templates to speed up the digital transformation of corporate credit approval. We independently researched and developed auxiliary support tools such as financial ratio analyses, real estate industry data display, and judiciary and credit probe, and realized automatic extraction of information relating to approval decision through radar charts, data comparison, information prompts and other approaches. We promoted the construction of the collateral management system, planned and implemented the online dynamic management and monitoring of the entire process of collateral access, evaluation, monitoring and disposal. We continued to optimize the functions of the credit risk management system, promoted the optimization and upgrading of unified comprehensive credit granting management functions, and focused on improving intelligent identification and analysis of financial report risks and intelligent risk identification capabilities such as anti-fraud risk identification for corporate customers. We built a bank-wide unified, multi-level, and full-coverage credit risk business market, established an automatic, real-time, precise and agile intelligent risk control decision-making engine to shorten the development cycle of risk control models, as well as to improve the quality and efficiency of risk control products and risk control services. We also produced a high-frequency iterative automated retail and inclusive finance approval model to create a digital risk control engine visualization platform “Retail Risk Management Cockpit (零售風險管理駕駛艙)” and promoted the development of an auxiliary marketing decision model to help the construction of ecological bank, further supporting system functions of intelligent risk management. We introduced external public opinion information, dovetailed with the risk early warning system to automatically trigger early warning tasks, and launched the “Early Warning Headlines (預警頭條)” of Bohai Bank Intelligence to continuously improve early warning capabilities.

(III) Liquidity Risk

The Group adopts a centralized approach with respect to its liquidity risk management and has established a sound governance structure, with clear duties for the Board of Directors, senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Group's acceptable liquidity risk appetites, management strategies, policies, and procedures, and supervises the effective management and control of liquidity risk, and approves information disclosure contents, etc. The senior management authorizes its Assets and Liabilities Management Committee to implement specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Group, as well as reports to the Board of Directors, etc. The Assets and Liabilities Management Department at the Head Office is responsible for leading the organization of liquidity risk management for the Group, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the Head Office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

The Group adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Group's liquidity risk management is to reasonably arrange the asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets. The Group has established a tier-one liquidity reserve mainly consisting of cash and excess reserves, short-term interbank deposits, treasury bonds and policy bank bonds, a tier-two liquidity reserve mainly consisting of local government bonds and high-grade corporate bonds, and a tier-three liquidity reserve mainly consisting of other assets such as monetary funds and bond funds. The allocation of liquidity assets was constantly adjusted for addressing the mismatches between short-term and medium-to-long-term liquidity. In accordance with internal and external requirements and actual business development, through following liquidity risk management policies and procedures, such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests, and emergency plans, and under the premise of ensuring liquidity safety, the Group effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the Group implements effective identification, measurement, monitoring and control of liquidity risk of the whole bank. Based on cash flow gap analysis, the Group realizes the liquidity risk management and control under normal circumstances with the help of intraday position management, maturity mismatch management, liquid asset portfolio management and financing strategy management. As for managing intraday positions, it reasonably manages cash flows to balance liquidity and profitability, which is based on the principle of ensuring safety payment of the whole bank and on the integration management of local and foreign currency. As for liquidity mismatch management, it adopts active management methods, such as continuous optimization of internal limit management, early warning indicators monitoring, and dynamic simulation of regulatory indicators, which not only achieves accurate measurement of static liquidity mismatch, but effectively manages and controls the future liquidity mismatch of the Group. As for liquid asset portfolio management and financing strategy management, it timely monitors and optimizes its asset-liability structure, strengthens active liability management, enhances inter-bank customer relationship management, expands active liability channels, and promotes the steady growth of core liabilities. As for emergency management for liquidity risk, it regularly conducts liquidity risk stress tests, carefully evaluates future liquidity needs, maintains sufficient high-quality liquid assets and continuously improves liquidity risk resistance capacity. At the same time, it organizes liquidity crisis response exercises on a regular basis, continuously optimizes the liquidity emergency management system, evaluates the effectiveness of various emergency measures, and ensures the liquidity safety of the Group in an emergency environment. The Group's liquidity stress test of mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Group was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which are readily realizable at any time, the Group could meet the potential liquidity needs under stress conditions. The Bank formulated the Liability Quality Management Measures of CHINA BOHAI BANK CO., LTD., which was reviewed and approved by the Board of Directors, established a comprehensive and systematic liability business management and risk control system, continued to promote the improvement of liability business management, and enhanced the efficiency and level of financial services to the real economy.

During the Reporting Period, the Group's liquidity remained reasonably adequate with stable and controllable liquidity risk level, all liquidity regulatory indicators were met or beyond regulatory requirements, and major monitoring indicators operated smoothly. As of the end of December 2022, the Group's liquidity ratio reached 63.11%, representing an increase of 3.83 percentage points as compared to the end of the previous year; the liquidity coverage ratio was 149.69%, representing a decrease of 5.44 percentage points as compared to the end of the previous year; the net stable funding ratio was 102.19%, representing a decrease of 2.75 percentage points as compared to the end of the previous year; the liquidity matching ratio was 121.52%, representing an increase of 4.52 percentage points as compared to the end of the previous year.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Group's net stable funding ratio indicator, available stable funding for the numerator item, and required stable funding for the denominator item at the end of December and September 2022:

(Unit: RMB'000)

	December 31, 2022	September 30, 2022
Net stable funding ratio (%)	102.19	100.46
Available stable funding (in RMB)	933,965,652.32	922,360,270.52
Required stable funding (in RMB)	913,963,270.15	918,114,424.85

The following table shows the Group's liquidity coverage ratio indicator:

(Unit: RMB'000)

	December 31, 2022	September 30, 2022
Liquidity coverage ratio (%)	149.69	126.58
Qualified high-quality liquid assets (in RMB)	137,256,928.90	133,460,844.10
Net cash outflow in the next 30 days (in RMB)	91,695,884.60	105,433,555.00

The following table shows the Group's undiscounted cash flows receivable and payable for the non-derivative financial assets and financial liabilities by remaining contractual maturities after the balance sheet date:

(Unit: RMB'000)

	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Indefinite	Total
Financial assets	98,998,848	114,126,487	125,890,651	445,777,663	497,322,643	233,908,321	142,223,773	1,658,248,386
Financial liabilities	252,531,962	165,325,963	162,179,776	558,064,062	379,224,818	2,193,324	29,375,790	1,548,895,695
Net liquidity	(153,533,114)	(51,199,476)	(36,289,125)	(112,286,399)	118,097,825	231,714,997	112,847,983	109,352,691

(IV) Market Risk (Including the Interest Rate Risk in the Banking Book)

The Group, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Bank (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors is responsible for reviewing and approving the market risk management strategies, policies and procedures, so as to define the acceptable market risk level. The Assets and Liabilities Management Committee under the senior management is responsible for developing, regularly reviewing and overseeing the policies, procedures and workflows relating to market risk, and delineates market risk limits based on the risk appetite outlined by the Board of Directors. The Assets and Liabilities Management Department at the Head Office is responsible for establishing the market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Group is controlled within the risk appetite set by the Board of Directors.

The Group's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to control the market risk level within its tolerance, by organically combining the identification, measurement, monitoring and control of market risks with the Group's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Group has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Group uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Group primarily applies measurement tools such as gap management, sensitivity analysis and duration analysis to manage it. The Group constantly optimizes a net interest margin analysis system that combines dynamic and static conditions. On the basis of quantitative models and qualitative analysis, the Group continuously reinforces the research and judgment of interest rate trends, so as to provide decision-making basis for tasks such as allocation of asset-liability structure. As for trading books, the Group mainly measures, manages and controls through basis point value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Group sets market risk limits, and effectively manages on-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Group's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Group's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 11.61% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 0.71%. Both the interest rate risk and the exchange rate risk were kept within the internal limits and controllable on the whole.

The Group's market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the Group's trading position is relatively small, the market risk capital occupation is low.

The Group's interest rate sensitivity gap

The Group's on-balance sheet interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	728,194,837	453,384,376	337,260,409	73,397,689	67,222,591	1,659,459,902
Total liabilities	584,552,855	636,537,609	284,966,080	2,162,375	41,289,949	1,549,508,868
Total interest rate sensitivity gap	143,641,982	(183,153,233)	52,294,329	71,235,314	25,932,642	109,951,034

The Group's interest rate sensitivity

The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before taxation and equity (without tax effect) with an assumption that all other variables held constant:

(Unit: RMB'000)

	(Decrease)/ Increase on December 31, 2022
Change in profit before taxation	
Up 100 bps parallel shift in yield curves	(838,913)
Down 100 bps parallel shift in yield curves	838,913
Change in equity (without tax effect)	
Up 100 bps parallel shift in yield curves	62,771
Down 100 bps parallel shift in yield curves	(62,771)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized the Group's profit before taxation and shareholder's equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- interest rate movements as at December 31, 2022 apply to all the non-derivative financial instruments of the Group;
- as at December 31, 2022, an end-of-period interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- there is a parallel shift in the yield curve with the changes in interest rates;
- there are no other changes to the assets and liabilities portfolio;
- other variables (including exchange rates) remain unchanged; and
- the analysis does not take into account risk management measures taken by the management nor tax effect as a result of such changes.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit before taxation and shareholder's equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

The Group's exchange rate risk exposure

The following table sets forth the distribution of the Group's foreign exchange rate risk exposure as at December 31, 2022:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currency equivalent to RMB	Aggregate RMB
Total assets	1,555,346,360	95,044,628	9,068,914	1,659,459,902
Total liabilities	1,458,821,970	80,864,643	9,822,255	1,549,508,868
Net exposure amount of balance sheet	96,524,390	14,179,985	(753,341)	109,951,034

(V) Operational Risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank comprehensively sorted out the operational risk management tools and updated and improved the indicators. The Bank renovated the operational risk management system, simplified the approval of operational risk management tools, and optimized the approval process and risk event reporting process to improve efficiency. The Bank also coordinated the on-site inspection work across the Bank, connected on-site inspection planning, execution and supervision, carried out special evaluation, conducted penetrating tests and evaluations on business systems, responsibilities, processes and system rectification and improvement, and carried out a series of training to actively create a sound operational risk management culture.

(VI) Capital Management

Capital management system structure, management objectives and management measures

The Group has established a sound capital management system. The Board of Directors assumes the ultimate responsibility for capital management, determines the capital risk appetite, reviews and approves the capital management policies, and authorizes the Senior Management to exercise capital management functions. Senior Management authorizes the Assets and Liabilities Management Committee to specifically exercise the capital management functions and implement the capital planning and capital adequacy ratio objective management. The Assets and Liabilities Management Department is responsible for daily capital management, building the capital management system and process system, and taking the lead in implementing the requirements and objectives of the Board of Directors and the Senior Management on capital management, in order to ensure that the Group's capital management meets the risk appetite requirements.

The Group implemented a comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Group are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance among capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Group and ensure the steady operation and sustainable and healthy development of the Group. The Group calculated, managed and disclosed capital adequacy ratio based on the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules. During the Reporting Period, the Group's capital adequacy ratio at all levels met regulatory requirements.

In order to achieve the above capital management objectives, the Group adopted the following management measures during the Reporting Period: reasonably assessing the capital supply and demand and the capital gap and formulating medium-term and long-term capital planning and annual capital planning based on the principle of giving priority to capital constraint in accordance with the strategic orientation and risk appetite after taking into full consideration the changes in the external operating environment; continuously improving the capital replenishment mechanism of "endogenous capital replenishment as the main body and exogenous capital supplementation as the support", promoting the formation of a scientific and reasonable capital structure, and achieving a prudent balance between different components of capital portfolios; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, strengthening the guidance and support to key businesses by resource allocation, promoting the in-depth application of economic capital in resource allocation, differentiated pricing and performance assessment, and conveying the concept of paid use of capital from multiple perspectives; continuously promoting the implementation process of credit risk projects under Basel III Framework, dynamically assessing the impact of the changes in regulatory rules on the capital indicators and business development of the Group, and organizing and sorting out the implementation plans and system construction requirements following the regulatory rules and internal management needs; continuously improving the management framework for the Group's recovery and resolution plans under crisis scenarios, optimizing the governance structure and working mechanism, and forming differentiated recovery and resolution strategies by combining multi-perspective stress tests and triggering mechanism settings to ensure the sustainability and stability of core business functions under extreme scenarios; carrying out annual internal capital assessment process, covering major risk categories in an all-round manner, systematically assessing capital supply and demand under capital additions and stress scenarios, and formulating emergency plans to deal with stress situations, while optimizing the Pillar 2 capital surcharge mechanism in line with the latest regulatory requirements to improve the comprehensive risk management framework of the Group.

Method and procedure for internal capital adequacy assessment

The Group's internal capital adequacy assessment procedure includes key sectors such as governance structure, risk appetites, risk identification and assessment, capital adequacy ratio stress test, capital assessment, capital planning and emergency management. Based on comprehensive consideration and assessment of the main risks faced by the Group, we measured the matching level of capital and risk and established a management system that integrated risk and capital to ensure that we maintain a level of capital that is appropriate to our risk profile in different market environments.

In accordance with the relevant requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Group conducts internal capital adequacy assessment on an annual basis and has continuously promoted the optimization of the methodology. At present, the Group has formed a relatively standardized governance structure, a supporting policy management system, a complete assessment process, a regular monitoring and reporting mechanism, and an internal audit system, which have met the external regulatory requirements and internal management needs. At present, the Group's internal capital adequacy assessment procedure has a sound governance structure and clear responsibilities to control various risks effectively. The capital level is commensurate with the risk appetites and risk management level and the capital planning is compatible with the Group's operating conditions, risk change trends, and long-term development strategies.

The management plan for capital planning and capital adequacy ratio

The Bank has formulated the Capital Management Plan of CHINA BOHAI BANK CO., LTD. for 2021-2023 (《渤海銀行股份有限公司 2021-2023 年資本管理規劃》) as required by the relevant regulatory requirements and submitted it to the Board of Directors for consideration and approval. The capital planning of the Group comprehensively took into account such factors as macroeconomic situation, regulatory policy requirements and the Group's strategic transformation planning, risk appetites and risk assessment results, and financing capabilities to reasonably determine the management objective of internal capital adequacy ratio and prudently estimate the future capital supply and demand. While focusing on the endogenous accumulation of capital and consolidation of profitability, the Group actively expanded the channels of exogenous capital replenishment to enhance our capital strength continuously and fully supported the sustainable development of various businesses.

The Group determined the annual capital adequacy ratio management target within the framework of medium and long-term capital planning, formulated the annual management plan and incorporated it into the group-wide operation plan to ensure that the annual capital management plan is compatible with various business plans, and ensured that the capital adequacy ratios of the Group at all levels continuously meet the regulatory requirements and internal management targets through the dynamic monitoring, analysis and reporting of the capital adequacy ratio level, adjusting and optimizing the asset structure, improving the refined management level, issuing capital instruments in a timely manner and other measures.

(VII) Information Technology Risk

During the Reporting Period, in accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods and management mechanism, and continued to promote the rectification of information technology risk issues. There were no major information system emergencies (level III) or above during the whole year. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

(VIII) Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, rules and norms.

Compliance risk status

The Bank's compliance risk management structure is composed of the Board of Directors, Board of Supervisors, senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, and various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the compliance of the operational and management activities with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management, whereas the Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank deepened the compliance review with system review as the main body, proactively identified, assessed and mitigated the compliance risks of new products, new businesses and major projects, strictly controlled the advance pass of compliance risks, and kept the bottom line of compliance; the Bank internalized the external regulations in a timely manner, made express and summary of regulations, and continuously paid attention to and tracked the introduction and changes of regulations; the Bank carried out rules and regulations assessment after sorting and clarified the boundaries of regulations in effect to establish the mechanism of "establishment, revision, abolition". The Bank carried out the activities of "self-examination and rectification, reflection and correction by all staff" (全員自查自糾、反思整改), based on which the Bank established a long-term mechanism for internal control and compliance.

Anti-money laundering management status

The Bank adheres to the "risk-based" management principle, actively improves the anti-money laundering internal control system, optimizes customer due diligence and risk assessment measures, enhances the design of information system functions, strengthens the competence training of the anti-money laundering team, and continuously improves the level of refined and standardized anti-money laundering management.

During the Reporting Period, the Bank continued to improve its anti-money laundering system and issued the Management Rules for Business Money Laundering Risk Assessment and the Management Rules for Customer Money Laundering Risk Assessment to effectively identify and assess the money laundering risks of all business areas and all customers, and to strengthen preventive and control measures against money laundering risks in a targeted manner. The Bank conducted a comprehensive self-assessment of the Bank's customers, products, channels, and regions in 2021 to scientifically evaluate its inherent risks and the effectiveness of its control measures, identify weaknesses, formulate improvement measures, and clarify the next work objectives and tasks. Driven by technology, the Bank continuously optimized the functions of the anti-money laundering information system and enhanced the quality and efficiency of anti-money laundering work. The Bank pushed ahead the construction project of the Anti-Money Laundering Center in an orderly manner, formulated an implementation plan, and incorporated it into the construction of an "intelligent" large-scale compliance system, so as to promote the transformation of anti-money laundering work to a centralized and professional management mode.

(IX) Strategic Risk

During the Reporting Period, the Bank strived to follow the important spirit and instructions of the CPC Central Committee, the State Council and Tianjin Municipal Party Committee and Government, effectively unified thoughts and actions with the central and Municipal Party Committee's main goals and tasks for economic and financial work in a period in the future, accurately studied and judged the macroeconomic situation at home and abroad, referred to the leading practices in the industry, linked up and down, implemented policies accurately, actively responded to the challenges of the epidemic and seized opportunities of on-line and digital development, so as to effectively carry out strategic risk management and promote high-quality development of Bohai Bank.

During the Reporting Period, the Bank tracked major national strategic deployments and specific requirements in a timely manner, deeply studied the spirit of the 20th National Congress of the Communist Party of China and the spirit of the national video conference on stabilizing the economic market, etc., steadily promoted the implementation of the Fourth "Five-Year Plan" of the Bank and ensured the positioning and development direction of the Fourth "Five-Year Plan" were consistent with relevant national requirements. At the same time, the Bank adhered to the new development concept, seized the new development stage, and integrated into the new development pattern. With reference to its own actual situation, and in accordance with the overall idea of "building a framework, building a mechanism, and improving capabilities", the Bank steadily promoted the implementation of the Fourth "Five-Year Plan", ensured the effectiveness and guidance of the strategy through rolling strategic revisions, and scientifically carried out annual strategic insight, planning, decoding and implementation evaluation to improve the execution of strategic planning, so as to continuously improve the ability to serve the national strategy, the real economy and people's better life.

(X) Reputational Risk

Reputational risk refers to the risk of forming negative evaluation of the Bank by stakeholders, public or media due to the Bank's operation, management and other behaviors, employees' behavior or external events, etc., which in turn damages the brand value of the Bank, has an adverse effect on the normal operation of the Bank, and even affects market stability and social stability.

The Bank insisted on incorporating reputational risk into its corporate governance and comprehensive risk management system, and adhered to the guiding ideology of "enhancing awareness, focusing on prevention, close monitoring, proper handling, positive guiding and expanding publicity", focused on improving the logic of public relations communication, clarifying strategies, highlighting important points, leveraging the domestic and overseas mainstream media, and expanding the influence of positive publicity. At the same time, the Bank made efforts to enhance the awareness of reputational risk prevention and the ability to response to public opinion, strengthened the process management of reputational risk, continued to improve the immediacy and accuracy of dynamic monitoring of public opinion. By conducting regular or irregular daily and special risk self-examinations across the bank, the Bank proactively prevented and eliminated endogenous risks, and promoted the continuous advancement of the "gate" of risk prevention. During the Reporting Period, the Bank's reputational risk management took the initiative, planned in advance, actively promoted news publicity, held the main position of ideology, and successfully completed the special news publicity work before and after the convening of the 20th National Congress of the Communist Party of China. Through active planning and publishing a series of press releases concerning high news value events, such as supporting national strategies, promoting the development of green finance, boosting the real economy, developing inclusive finance, innovating financial services and products, and releasing operating results, etc., the Bank was able to further underscore its operating characteristics and highlights and improved the reputation of the Bank. The Bank also made active attempts to adopt multi-channel and all-round integrated communication methods, which effectively improved the volume of communication and the effect of publicity. Through a series of detailed public opinion grading and evaluation models, formulation of public opinion prevention and control plans, emergency drills, and organization of special training covering all business lines of the Bank, the Bank earnestly implemented reputational risk prevention and control measures throughout its business in order to promote the advancement of the gate of risk prevention, and continuously strengthen the awareness of reputational risk prevention. The Bank also strengthened the risk prediction of potential public opinion, continued to improve the risk early warning mechanism, improved the level of risk management, and provided training to reputational risk management team. During the Reporting Period, the Bank's reputational risk management strengthened synergy, and reputational risk was effectively managed.

(XI) Country Risk

The Bank incorporated country risk management into its comprehensive risk management system. The Board of Directors assumes the ultimate responsibility for the effectiveness of monitoring country risks. The senior management is responsible for implementing the country risk management policies approved by the Board of Directors.

The Bank continued to strengthen management on country risks. Pursuant to the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD. which specified the objects, responsibilities and procedures, rating methods and risk limit management methods of country risk management, we established a country risk reporting, supervision and inspection mechanism. During the Reporting Period, the Bank mainly focused on RMB business, the proportion of cross-border foreign-related business increased year by year, and the Bank's cross-border counterparties were mainly concentrated in developed countries. The Bank's assets involving country risk exposure are small in size, so the country risk is controllable and the overall risk level is low.

(XII) ESG Risk

During the Reporting Period, the Bank clearly fulfilled its environmental and social responsibilities, created social value, and built itself as a responsible bank with leading concepts, sustainable economy and outstanding ESG performance, which improved its own ESG performance.

Taking comprehensive consideration of its business development needs under the goals of carbon peaking and carbon neutrality, the Bank fully supported green and sustainable business development, actively guided credit resources to invest in green finance, and promoted the implementation of the green financial transformation indicators under the Fourth "Five-Year Plan". The Bank also strengthened industry ESG risk management, incorporated ESG risk management requirements into industry credit policies, implemented differentiated ESG credit strategies, and actively guided credit resources to invest in green transportation, energy conservation and environmental protection, advanced manufacturing, strategic emerging industries, new infrastructure construction and other green industries with good market prospects in line with relevant ESG requirements, low energy consumption, low emission and low pollution.

The Bank actively promoted the construction of the ESG risk management system, formulated the "Environmental, Social and Governance (ESG) Risk Management Policy of Bohai Bank", introduced ESG and climate risk management into the comprehensive risk management system, established and improved the ESG risk management decision-making mechanism at an advanced level in the industry, and strengthened the major decision-making functions of the Board of Directors and special committees in ESG management. The Bank established and improved the investment and financing ESG risk management system, and revised the "Management Measures of Environmental, Social and Governance (ESG) Risk of Credit Business of Bohai Bank", in order to orderly embed ESG risk management requirements into the entire process of investment and financing business risk management. The Bank also actively responded to climate change, continued to promote stress testing on sensitivity to climate risk, assessed the potential impact of transformation in line with the goals to achieve carbon peaking and carbon neutrality on the Bank's credit assets, and optimized and adjusted its credit policy.

XII. ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, the Bank comprehensively promoted the implementation of the Fourth “Five-Year Plan”, continuously optimized the customer structure, implemented the national industrial policy, actively advanced business development and transformation; closely followed the general trend of residents’ consumption upgrade, started with mobile, Internet and technology, and promoted financial innovation with customers as the center, providing customers with more intelligent, convenient and personalized comprehensive financial services. In addition, the Bank actively supported major national strategic projects, actively served the “Belt and Road” initiative, Beijing-Tianjin-Hebei coordinated development, the development of Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area and the construction of free trade zones. The Bank’s core advantages are mainly reflected in the following five aspects:

Firstly, the Bank is the youngest nationwide joint-stock bank in the PRC exhibiting strong competitiveness since establishment. First, as a newly established bank benefiting from holding a national banking license, the Bank is the only nationwide joint-stock commercial bank newly established in China after the amendment to the Commercial Banking Law (《商業銀行法》) in 2003, and also the only nationwide joint-stock commercial bank that has a foreign bank as its promoter and founder. The Bank is the youngest one among all twelve nationwide joint-stock commercial banks and enjoys significant late-mover advantages. Secondly, our high-quality and diversified shareholders provided consistent and stable support. The Bank has strong Chinese and foreign shareholders, who provide long-term stable support to the Bank’s business development and strategy implementation. Our shareholding structure, which features a reasonably designed, diversified and balanced shareholder base and a checks-and-balances mechanism, lays a solid foundation for us to effectively leverage our shareholders’ strengths in governance. Finally, we established a high-standard system to recruit talents. With assistance from our promoter, Standard Chartered Bank (Hong Kong) Limited, the Bank refers to the experience of leading overseas banks to develop a modern system with world-class standards. Under the framework of well-established and standardized system, the Bank has a team with strong fighting ability and sense of belonging, which provides key talent support to the sustainable and steady development.

Secondly, the Bank has precise customer targeting and outstanding financial services. The retail banking business focuses on the two core customer groups of the “pressurized generation (壓力一代)” and the “grey-haired group (養老一族)”. The two core customer groups were further refined into four major customer groups service system consisting of “Bozai” (渤仔), “Borui” (渤銳), “Boda” (渤達) and “Botai” (渤泰) in pursuit of more precise positioning and more diverse ecology. Through professional and dedicated financial services, the Bank helps residents upgrade their consumption, and realize wealth preservation and appreciation. The Bank meets the increasing pension financial needs, and promotes the “pressurized generation” to become the “happy pressurized generation (快樂的壓力一代)”, and the “grey-haired group” to become the “worry-free grey-haired group (無憂的養老一族)”. The corporate banking business introduces an ecological perspective in customer operation, while focusing on a customer group which can bring about good returns with good growth potential, so as to build a core customer base mainly comprising leading enterprises which embark on economic transformation and industrial upgrade, of high quality and stability with good returns.

Thirdly, the combination of advanced risk management concept and sophisticated risk management system led to a continuous improvement on asset quality. The Bank has a good gene that Standard Chartered Bank has passed along to us. After over one decade of evolution and upgrade, we gradually developed a risk management concept featuring “comprehensive, proactive, agile and effective (全面、主動、敏捷、到位)”, in accordance with international standards and fitting China’s national conditions. We established a risk management system featuring the principles of “consolidation, verticality, independence, balance and integration (集中、垂直、獨立、制衡、融入)”. We continuously improved our risk management capability by utilizing five key advanced technologies, namely big data, artificial intelligence, block-chain, cloud computing and 5G technology, through which we have enhanced the quantification, precision, agility, intelligence and promptness of our risk monitoring system, and completed a comprehensive online alert mechanism for our risk assets. During this process, we leveraged a process with reference to studies on specific industries and scenarios, so that we were able to organically integrate mature offline risk management logic and measures into our risk management system, thereby enhancing our overall risk control capacity. We upheld a sound risk appetite and prudent compliance awareness. Credit risks have been fully identified and asset quality has been steadily improving.

Fourthly, we are a progressive technological and ecological bank, which is full of the characteristics of the new generation. The Bank adheres to the guidance of FinTech-driven digitization in transforming itself into an ecological banking model featuring “Bank the world (渤觀約取，海潤萬物)”. With the five strategic capabilities of “Ecosystem (聚焦生態)”, “Engaged (共生共贏)”, “Enable (專業賦能)”, “Everywhere (無所不在)” and “Engined (智慧引擎)”, we can realize the comprehensive upgrading of business model. That is, strengthening the focus on ecology and strengthening symbiosis and win-win to realize the transformation from bank customers to ecological users; strengthening professional empowerment to realize the transition from product sales to capability output; expanding the service model to realize the transformation from traditional channels to invisibility and ubiquity; and improving data application capabilities to realize the transformation from human judgment to intelligent decision-making.

Fifth, we have a distinguished management team supported by outstanding employees and a lean and agile management culture. The senior management team of the Bank has many years of professional management experience in banking industry. They have a deep understanding and strong capacity in financial policy, business operation, wealth and treasury management and FinTech. Many members used to serve key positions in financial regulatory institutions and large state-owned commercial banks and hold professional qualifications, such as senior economist and professor, which constitutes a strong support to the operation and development of the Bank. The Bank offers competitive compensation packages and continues to improve our market-oriented talent recruitment and evaluation system. We care the career development of our employees and offer them a flexible promotion mechanism. By virtue of this system, we managed to attract talents from different large financial institutions and forged a team of employees with rich experience, youth, strong academic background and cohesion. The Bank strives to build an agile and warm banking culture of “external differentiation, internal simplicity and expertise in collaboration (外部差異化、內部簡約化和精於協同)”, provides full-process and full-cycle online services, actively introduces lean six sigma (精益六西格瑪), and strives to build a bank with processes which put the customer first.

In the future, the Bank will continue to promote the implementation of the Fourth “Five-Year Plan”, commit to becoming “a modern wealth and treasury manager offering the best experience”, adhere to transforming itself into a retail bank, a transaction bank and a light-model bank, strive to promote high-quality development, create greater value and returns for shareholders, assume more responsibilities for the society, and fulfill our due responsibilities and obligations for the development of the economy and society in the new era.

XIII. FUTURE DEVELOPMENT OUTLOOK

(I) Economic, Financial and Banking Outlook

Looking forward to 2023, at the international level, global inflation is expected to decline, the pace of monetary tightening may ease, global economic growth may further slow down, and geopolitical events such as the Russia-Ukraine conflict may continue. As major economies such as the United States and Europe continue to raise interest rates, inflationary pressures are expected to be relieved, but it will take time to return to the target level. Continuous interest rate hikes will further lead to slower economic growth and weak job markets, and the risk of recession in certain economies may further increase. Although the pace of interest rate hikes by the central banks of major economies is expected to gradually slow down, attention should be paid to the continuous disturbances brought about by the spillover effects of the tightening monetary policies of developed economies on the financial markets of emerging markets. China will still face a severe and complex external environment.

At the domestic level, against the backdrop of increasing uncertainties in the external environment, China's economic development will still face triple pressure from shrinking demand, supply shocks and weakening expectations. With the coordination and optimization of the pandemic prevention and control policy, the economy will return to normal and its development will rebound steadily. Under the policy keynote of giving priority to stability and pursuing progress while maintaining stable performance, the implementation of the proactive fiscal policy will be strengthened to increase efficiency, and the prudent monetary policy will be precise and robust. Focus will be placed on the organic combination of the strategy of expanding domestic demand and deepening structural reform on the supply side, while the tasks of stabilizing growth, employment and prices will be highlighted to effectively prevent and resolve major risks. With the continuous introduction of the policy combination of stabilizing the economy while expanding domestic demand, domestic demand is expected to become an important starting point for China's economic growth in the coming year. Consumption will rebound rapidly and fixed asset investment will remain resilient, while export growth may slow down due to external demand. The RMB exchange rate will keep fluctuating in both directions while showing a generally smooth trend and the inflation level will remain moderate in general.

In 2023, with the steady recovery of the domestic economy, the operating environment of the banking industry will continue to improve. Credit growth may rise moderately in anticipation of economic stabilization, and the overall asset quality of commercial banks will enhance. The banking industry will maintain a reasonable and sufficient level of liquidity, provide more accurate and direct credit allocation, promote the flow of financial resources to the real economy, continue to increase support for private small and micro enterprises, and put more effort in supporting key areas such as inclusive finance, green finance, technological innovation and rural revitalization. While serving the manufacturing power strategy, the industry will strengthen comprehensive financial support for commodity consumption and service consumption, accelerate digital transformation, and promote a comprehensive upgrade of the financial service ecology. At the same time, risk management and control capabilities will be continued to improve with continuous enhancement of comprehensive risk management and compliant and stable operations, so as to prevent and resolve financial risks, promote the stable and healthy development of the real estate industry, and help achieve high-quality economic development.

(II) Guiding Ideology and Major Measures for the Bank's Business Development in 2023

In 2023, the guiding ideology of the Bank's business development is: adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively and deeply study, promote and implement the spirit of the 20th National Congress of the Communist Party of China, resolutely implement the decisions and deployments of the Party Central Committee and the State Council, thoroughly implement the deployment requirements of the municipal party committee and the city government, adhere to the general tone of seeking progress while maintaining stability, unswervingly implement the strategy of transformation and revitalization, and promote the high-quality and in-depth strategy of "thriving bank by customers, developing bank by deposit, enriching bank by intermediate business income, strengthening bank by technology, leading bank by innovation and protecting bank by risk control" to break new grounds with stable and excellent indicators, high-quality and more efficient operation and management, constant improvement and growth in strength, and striving for high-quality development.

Major work measures: insist on achieving “six highlights” and “eight focal points”. In particular:

“Six highlights”: highlight the fundamental direction led by party building, the core task of stabilizing growth, the traction and leverage of strategic transformation, the fundamental principle of caution and prudence, the effective drive of technological innovation, and the implementation of market-oriented systems and mechanisms.

“Eight focal points”: First, the focus is placed on strengthening the political consciousness, ideological consciousness and action consciousness of studying, propagating and implementing the spirit of the 20th National Congress of the Communist Party of China. The spirit of the 20th National Congress of the Communist Party of China, and the decision-making and deployment of the Party Central Committee are effectively combined with the Bank’s reform and development to jointly plan, deploy, implement, and inspect party building work and business work, so as to ensure that the deployment requirements of superiors are not compromised in Bohai Bank. Second, the focus is placed on enhancing the role of the “pioneering officer” of the corporate banking to improve the quality of corporate deposits, optimize the structure of credit assets, adhere to the direction of FPA transformation, and at the same time continue to consolidate the customer base, so as to fully enrich and improve the corporate product lineage, enhance the efficiency of corporate customer management, and strive to promote the inclusive business. Third, the focus is placed on enhancing the effect of the transformation of the retail business. In particular, it is necessary to pay close attention to the growth of operating income, strengthen channels to expand customers, focus on the improvement of outlet production capacity, continue to improve the level of digitalization, and plan for the construction of ecological bank. Fourth, the focus is placed on enhancing the synergy creation capability of the financial market business. The Bank will build a high-quality FICC center, improve transaction profitability, establish a brand of agency transactions, deepen the integrated operation of interbank customers, enhance asset business income generation and active liability management capabilities, and promote the construction of the wealth management subsidiary. Fifth, the focus is placed on enhancing the overall level of internal control and compliance. The awareness of internal control and compliance is continuously strengthened so that the bottom line is understood and respected, the first and second lines of defense are effectively implemented, the quality and efficiency of inspection improve, the employee behavior management is in place, and the implementation of the five “key” processes is promoted. Sixth, the focus is placed on strengthening the risk prevention barrier. The Bank further concentrates on collecting and resolving problematic assets, improves the credit management policy system in a timely manner, strictly controls the credit approval process, strengthens post-loan management, and continues to improve the level of intelligent risk control. Seventh, the focus is placed on strengthening the role of scientific and technological support and guarantee. The Bank continuously strengthens the management of scientific and technological teams, deepens the integration of industrial technology, protects network security, improves operation and maintenance support capabilities, and promotes key projects such as the Blue Ocean Project with high quality and efficiency. Eighth, the focus is placed on enhancing the basic capabilities of management. The Bank continues to promote the “seven basic management projects”, highlights the incentive and restraint mechanism, coordinates capital management, comprehensively reduces costs and increases efficiency, strengthens consumer rights protection, strictly enforces social recruitment and management, promotes digital operation transformation, and coordinates development and safety.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank's ordinary shares are as follows:

	December 31, 2021		Changes during the Reporting Period (shares)	December 31, 2022	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	-	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	-	6,200,555,000	34.91
Total ordinary shares	17,762,000,000	100.00	-	17,762,000,000	100.00

Note: As of the end of the Reporting Period, the Bank had 79 shareholders, including 11 holders of Domestic Shares and 68 holders of H Shares.

II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary shares of the Bank was as follows:

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Shareholding percentage (%)	Class of Shares
TEDA Investment Holding Co., Ltd. ⁽²⁾	State-owned legal person	-	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited ⁽³⁾	Overseas legal person	(34,510)	3,311,747,480	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	-	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	-	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	-	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	-	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	-	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	-	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	-	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	-	14,712,166	0.08	Domestic Shares
Tianjin Firstwood Co., Ltd.	Domestic non-state-owned legal person	(14,712,166)	-	-	Domestic Shares
Tianjin Foster Wood Co., Ltd.	Domestic non-state-owned legal person	14,712,166	14,712,166	0.08	Domestic Shares

Notes: (1) The above information is prepared based on the share registration as of December 31, 2022 of the Bank's Share Registrar.

(2) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 shares of the Bank, representing shareholding of 20.61%.

(3) The shares held by HKSCC Nominees Limited as agent are the total amount of shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS PROMULGATED BY THE CBRC

According to relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the CBRC, as of the end of the Reporting Period, the relevant information of substantial shareholders of the Bank was as follows:

(I) TEDA Investment Holding Co., Ltd.

TEDA Investment Holding Co., Ltd. is principally engaged in three major businesses, namely, industry, finance and urban comprehensive development, while strengthening the two major functions of capital operation and asset management. Registered capital: RMB11.07695 billion; legal representative: QU Defu; Add.: 1201, No. 9 Shengda Street, Tianjin Economic-Technological Development Area, China; controlling shareholder: Tianjin SASAC; actual controller: Tianjin SASAC. As of the end of the Reporting Period, TEDA Investment Holding Co., Ltd. pledged 1,802,437,100 shares of the Bank; as of the date of this annual report, TEDA Investment Holding Co., Ltd. pledged 1,030,273,678 shares of the Bank.

(II) Standard Chartered Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited is a bank incorporated and domiciled in Hong Kong. It was established on December 12, 2003 and its registered office is located at 32/F, 4-4A Des Voeux Road Central, Central, Hong Kong. It is mainly engaged in the provision of banking and related financial services. Controlling shareholder: Standard Chartered PLC; actual controller: Standard Chartered PLC. As of the end of the Reporting Period, none of the shares of the Bank held by Standard Chartered Bank (Hong Kong) Limited had been pledged.

Standard Chartered PLC was established on November 18, 1969 in London, UK, mainly providing a full range of banking and financial services. Registered address: 1 Basinghall Avenue, London EC2V 5DD, United Kingdom; chairman: José Viñals; CEO: Bill Winters.

(III) China Shipping Investment Co., Ltd.

China Shipping Investment Co., Ltd., established on June 26, 1998, is a wholly-owned subsidiary of COSCO SHIPPING Development Co., Ltd., and its business scope includes industrial investment and equity investment. Registered capital: RMB21.383 billion; legal representative: DU Haiying; Add.: Room 100, 1/F, Block 6, No. 58 Rui Xing Road, Lin-Gang New Area, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: COSCO SHIPPING Development Co., Ltd.; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Shipping Investment Co., Ltd. had been pledged.

COSCO SHIPPING Development Co., Ltd. was founded on March 3, 2004, and its business scope covers shipment of domestic general cargo ships along the coast and in the middle and lower reaches of the Yangtze River and domestic coastal feeder liners for foreign trade containers, international shipping (including liner shipment of container), manufacturing, repair, leasing of containers, ship leasing, and trading of self-owned container and self-used ship. Marine management, technical management and ship repair, maintenance, trading, leasing, operation, asset management and other ship management services of domestic coastal general cargo ships (except bulk ships). For the projects that must be approved according to law, the business activities can be carried out only after the approval of relevant departments. Registered capital: RMB13.586477301 billion; legal representative: LIU Chong; Add.: Room A-538, International Trade Building, China (Shanghai) Pilot Free Trade Zone.

(IV) State Development & Investment Corp., Ltd.

State Development & Investment Corp., Ltd. was founded in 1995. Since its establishment, the company has always adhered to the strategy of serving the nation, optimized the layout of state-owned capital, improved industrial competitiveness, and played the leading and driving role of state-owned capital in important industries and key fields, realizing the preservation and appreciation of state-owned capital. Through continuous innovation, exploration and structural adjustment, it has established three strategic business units in the domestic and overseas market covering basic industries, strategic emerging industries, financial and service industries. Registered capital: RMB33.8 billion; legal representative: FU Gangfeng; Add.: International Investment Building, No.6-6 Fuchengmen North Street, Xicheng District, Beijing, China; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by State Development & Investment Corp., Ltd. had been pledged.

(V) China Baowu Steel Group Corporation Limited

China Baowu Steel Group Corporation Limited, formerly known as "Shanghai Baosteel Group Corporation (上海寶鋼集團公司)" and "Baosteel Group Corporation (寶鋼集團有限公司)", with its predecessor being Baoshan Iron and Steel (Group) Corporation (寶山鋼鐵(集團)公司), was founded on January 1, 1992, and is a legally established wholly state-owned corporation for which the SASAC performs the duties of investor on behalf of the State Council. Its main business scope includes permitted projects: retail of publications; wholesale of publications (Projects that are subject to approval in accordance with laws shall only be carried out upon approval by relevant authorities. The specific business projects are subject to the approval documents or permits of relevant authorities); general projects: investment activities with self-owned funds; investment management; asset management services invested with self-owned funds; corporate headquarters management; leasing of land use rights; non-residential real estate leasing; taxation services; human resource services (excluding employment intermediary activities and labor dispatch services); market entity registration agency; business agency services; undertaking outsourcing of file services; bidding agency services; big data services; business management consulting (Except for projects subject to approval in accordance with laws, business activities shall be conducted independently with the business licences in accordance with laws). Registered capital: RMB52.791101 billion; legal representative: CHEN Derong; Add.: No.1859 Shibo Avenue, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Baowu Steel Group Corporation Limited had been pledged.

(VI) Oceanwide Industry Co., Ltd.

Established in November 1992, Oceanwide Industry Co., Ltd. is an important investment holding and property leasing platform under China Oceanwide Holdings Group Co., Ltd. Registered capital: RMB24 billion; legal representative: LI Minghai; Add.: No. 6602 Dongfeng East Street (inside the Oceanwide City Garden (泛海城市花園)), Weifang Hi-Tech Industrial Development Zone, Shandong Province, China; controlling shareholder: China Oceanwide Holdings Group Co., Ltd.; actual controller: LU Zhiqiang. As of the end of the Reporting Period, none of the shares of the Bank held by Oceanwide Industry Co., Ltd. had been pledged.

China Oceanwide Holdings Group Co., Ltd., established in April 1988, mainly engages in investment in infrastructure projects and industries, capital operation & asset management, hotel & property management, among others. Registered capital: RMB20 billion; legal representative: LU Zhiqiang; Add.: 23/F, Building C, Minsheng Financial Center, No. 28 Jianguomennei Avenue, Dongcheng District, Beijing, China.

(VII) Tianjin Shanghui Investment Holding Company Limited

Established on April 5, 2004, Tianjin Shanghui Investment Holding Company Limited is an investment company with private capital and focuses on financial capital investment. Registered capital: RMB1.16 billion; legal representative: ZHANG Yunji; Add.: Room B318, Building 8, East Area, Airport Business Park, No. 80 Huanhe North Road, China Tianjin Pilot Free Trade Zone (Airport Economic Zone); the company has no controlling shareholder or actual controller. As of the end of the Reporting Period, none of the shares of the Bank held by Tianjin Shanghui Investment Holding Company Limited had been pledged.

Each substantial shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries. As of the end of the Reporting Period, except that TEDA Investment Holding Co., Ltd. and its subsidiary, Jinlian (Tianjin) Finance Lease Co., Ltd., held in total 3,660,938,000 shares of the Bank, there is no person acting in concert among other substantial shareholders. All the seven substantial shareholders nominated directors to the Bank. In particular, Mr. QU Defu and Mr. ZHUANG Qifei were nominated by TEDA Investment Holding Co., Ltd., and Mr. LUAN Xianzhou was nominated by Oceanwide Industry Co., Ltd., the qualification of whom is subject to approval by the banking regulators.

The Bank has treated its substantial shareholders and their controlling shareholders, actual controllers, persons acting in concert, ultimate beneficiaries etc., totaling 2,194 enterprises as related parties of the Bank in management in light of their relationship with the shareholders. For details on related party transactions, please refer to "Audit Report and Financial Report – Notes to the Consolidated Financial Statements: 'Related parties'" in this annual report.

IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, the Bank had no controlling shareholder or actual controller.

V. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of the end of the Reporting Period, to the knowledge of the Directors or chief executives of the Bank, as recorded in the register required to be kept under section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/short positions	Number of Shares directly or indirectly held	% of interest in the Bank	% of the relevant class of Shares
TEDA Investment Holding Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporation ⁽¹⁾	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC ⁽²⁾	Interest in controlled corporation	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09

Name of Shareholder	Nature of interest	Class of Shares	Long positions/short positions	Number of Shares directly or indirectly held	% of interest in the Bank	% of the relevant class of Shares
China Shipping Investment Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzi ⁽⁴⁾	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tianjin Shanghui Investment Holding Company Limited	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Shandong Gold Financial Holdings Group (HongKong) Co., Limited	Beneficial owner	H Shares	Long positions	327,294,500	1.84	5.28
Yichang HEC Health Pharmaceutical Co., Ltd.	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

Notes: (1) The interests are held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary Jinlian (Tianjin) Finance Lease Co., Ltd.

(2) Standard Chartered Bank (Hong Kong) Limited is wholly owned by Standard Chartered PLC, and therefore Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.

(3) China Shipping Investment Co., Ltd. is wholly owned by COSCO SHIPPING Development Co., Ltd., and in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.

(4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%. As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the Shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its Shares at the end of the Reporting Period which will be required to be recorded in the register kept under section 336 of the SFO.

VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank had not issued any new Shares.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiary had no purchase, sale or redemption of any listed securities of the Bank.

Directors, Supervisors, Members of Senior Management, Employees and Branches

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Basic Information and Remuneration of Directors, Supervisors and Members of Senior Management

Name	Position	Gender	Date of birth	Time of joining our Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) ⁽⁵⁾	Remunerated by the Bank's shareholders or their related parties
LI Fuan	Chairman	Male	December 1962	June 2015	June 2015 – the date of re-election	130.59	No
FUNG Joi Lun Alan	Vice chairman	Male	April 1948	May 2010	August 2010 – ⁽⁹⁾	–	Yes
YUAN Wei	Non-executive director	Female	February 1974	March 2019	December 2019 – the date of re-election	–	Yes
YE Baishou	Non-executive director	Male	June 1962	April 2014	June 2014 – the date of re-election	–	No
HU Aimin	Non-executive director	Male	December 1973	February 2018	September 2018 – the date of re-election	–	Yes
ZHANG Yunji	Non-executive director	Male	August 1954	February 2009	February 2009 – the date of re-election	–	Yes
QU Hongzhi	Executive director	Male	August 1969	December 2019	January 2020 – the date of re-election	232.22	No
DU Gang	President Executive director	Male	November 1970	March 2019	January 2020 – May 2024 January 2020 – the date of re-election	183.34	No
	Vice president Secretary to the Board				April 2019 – May 2024 October 2020 – the date of re-election		
ZHAO Zhihong	Executive director	Male	January 1966	September 2015	July 2022 – the date of re-election	277.03	No
	Vice president Chief risk officer				November 2020 – May 2024 February 2020 – the date of re-election		
MAO Zhenhua	Independent non-executive director	Male	January 1964	April 2016	June 2016 – the date of re-election	35.00	No
CHI Guotai	Independent non-executive director	Male	July 1955	April 2016	June 2016 – the date of re-election	35.00	No
MU Binrui	Independent non-executive director	Male	September 1956	May 2018	September 2018 – the date of re-election	35.00	No
TSE Yat Hong	Independent non-executive director	Male	October 1969	December 2019	June 2020 – the date of re-election	35.00	No
ZHU Ning	Independent non-executive director	Male	September 1973	December 2019	June 2020 – the date of re-election	35.00	No
SHUM Siu Hung Patrick	Independent non-executive director	Male	February 1961	October 2022	October 2022 – the date of re-election	–	No
WANG Chunfeng	Chairman of the Board of Supervisors Employees' representative supervisor	Male	February 1966	July 2019	November 2019 – the date of re-election July 2019 – the date of re-election	109.43	No

Name	Position	Gender	Date of birth	Time of joining our Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) ⁽⁵⁾	Remunerated by the Bank's shareholders or their related parties
QI Ershi	External supervisor	Male	February 1953	April 2016	April 2016 – the date of re-election	35.00	No
DIAO Qinyi	External supervisor	Male	March 1955	April 2016	April 2016 – the date of re-election	35.00	No
HUI Yung Chris	External supervisor	Male	November 1968	December 2019	December 2019 – the date of re-election	35.00	No
MA Shuming	Employees' representative supervisor	Male	October 1966	February 2017	August 2021 – the date of re-election	229.49	No
XIE Kai	Vice president	Male	September 1972	June 2021	July 2021 – May 2024	157.64	No
JIN Chao	Vice president	Male	March 1979	June 2021	July 2021 – May 2024	157.68	No
WANG Zhiyong	Non-executive director	Male	March 1972	May 2021	October 2021 – April 2022	-	No
CUI Xuesong	Non-executive director	Male	November 1978	December 2019	January 2020 – March 2022	-	No
ZHANG Xifang	Non-executive director	Male	December 1972	November 2019	January 2020 – April 2022	-	No
LI Yi	Executive director	Male	December 1967	June 2009	June 2016 – March 2022	19.12	No
WANG Ren	Independent non-executive director	Male	September 1972	December 2019	June 2020 – October 2022	35.00	No

- Notes: (1) The terms of the fifth session of the Board of Directors and the Board of Supervisors of the Bank expired on December 15, 2022. As the re-election of the Board of Directors and the Board of Supervisors is still in preparation, in order to maintain the continuity of the relevant work of the Bank, the terms of the fifth session of the Board of Directors and the Board of Supervisors of the Bank will be extended to the date when the new sessions of the Board of Directors and the Board of Supervisors are approved at the general meeting according to the Articles of Association. For details, please refer to relevant announcements of the Bank published on the websites of the HKEX and the Bank.
- (2) For the changes in the Directors, Supervisors and members of senior management of the Bank as of the date of this annual report, please refer to "(V) Changes in Directors, Supervisors and Members of Senior Management" in this section.
- (3) Among the current Directors, Mr. LI Fuan was nominated by shareholder TEDA Investment Holding Co., Ltd.; Mr. FUNG Joi Lun Alan was nominated by shareholder Standard Chartered Bank (Hong Kong) Limited; Ms. YUAN Wei was nominated by shareholder China Shipping Investment Co., Ltd.; Mr. YE Baishou was nominated by shareholder State Development & Investment Corp., Ltd.; Mr. HU Aimin was nominated by shareholder China Baowu Steel Group Corporation Limited, and Mr. ZHANG Yunji was nominated by shareholder Tianjin Shanghui Investment Holding Company Limited.
- (4) During the Reporting Period, the Directors, Supervisors, and members of senior management of the Bank did not hold Shares or stock options of the Bank.
- (5) The amounts disclosed above exclude the remuneration received from the former employer.
- (6) The deferred payment of performance remuneration policy applies to the chairman, executive directors, the chairman of the Board of Supervisors, vice presidents and employees' representative supervisors of the Bank in accordance with the related national requirements. The deferred payment period is generally not less than three years. The above amount includes the portion of the performance remuneration for previous years paid during the year.
- (7) During the Reporting Period, the Bank paid a director/supervisor allowance to independent non-executive Directors and external Supervisors for the period from July 1, 2021 to June 30, 2022.
- (8) At the 20th meeting of the fifth session of the Board of Directors of the Bank, Mr. ZHU Yingyu was appointed as the professional manager to serve as the vice president of the Bank. The qualification of Mr. ZHU Yingyu as vice president is subject to the approval by the banking regulators.
- (9) On March 29, 2023, Mr. FUNG Joi Lun Alan tendered his resignation as a non-executive Director, and a committee member each of the Development Strategy and Inclusive Finance Committee, the Risk Management and Green Finance Committee, the Related Party Transactions Control Committee and the Audit and Consumer Rights Protection Committee under the Board of Directors of the Bank due to his retirement, which shall come into effect from the day on which a successor non-executive Director is elected at the Shareholders' general meeting of the Bank and obtains the qualification approval from the banking regulators. During this period, Mr. FUNG Joi Lun Alan will continue to perform the duties of a non-executive Director and vice chairman of the Bank and a member of the above-mentioned special committees of the Board of Directors.

(II) Remuneration Management

1. *Remuneration Management System*

The compensation and remuneration of our Directors, Shareholders' representative Supervisors and external Supervisors are determined by our Shareholders' general meeting and the compensation and remuneration of members of the senior management are determined by the Board of Directors. Our remuneration policies are formulated by the Nomination and Remuneration Committee of the Board and submitted to the Board of Directors for review. The Nomination and Remuneration Committee is a specialized agency under the Board of Directors of the Bank, which shall be responsible to the Board of Directors and consist of at least five Directors. The remuneration package for the chairman of the Board of Directors, the chairman of the Board of Supervisors and members of our senior management comprises annual basic salary, annual performance-based salary and incentive payments during the tenure. Our independent non-executive Directors and external Supervisors receive allowances from us. When reviewing and determining the Bank's remuneration packages, our Shareholders' general meetings and the Board of Directors take into consideration factors such as relevant work experience, level of education, competency and salaries paid by other comparable companies. The remuneration package for other employees of the Group comprises basic salary, performance salary and welfare income. The Bank also participates in various defined contribution plans organized by relevant government authorities and welfare schemes for our employees, including basic pension insurance, medical insurance, unemployment insurance, work-related accident insurance, maternity insurance and housing provident and enterprise annuity plan. For the defined contribution plans, the Bank will not use the forfeited contributions of the employees who leave the plan prior to vesting fully in such contributions.

During the Reporting Period, the aggregate amounts of remuneration paid by the Group was RMB6,242.90 million.

2. *Remuneration and Performance Measurement, Risk Adjustment Standards*

The basic salary is the basic security of the employee's life and is paid monthly. Performance-based bonuses are linked to performance appraisal results. During the Reporting Period, the Bank's group assessment indicators included return on net assets, return on total assets, cost-to-income ratio, economic value added, operating income, pre-tax profit, net profit, retail revenue ratio, non-performing loan ratio, capital adequacy ratio, allowance coverage ratio, leverage ratio, allowance to gross loan ratio and case risk loss ratio, and the Bank conducted performance assessment of branches from aspects including finance, core liabilities, customers, risks etc., according to the annual operation and management objectives. The Bank will also evaluate legal compliance and operational risk, audit findings or business risk omissions as the risk cost control targets, to increase the risk deduction factors for performance appraisal, at the same time by deferred payment mechanism the Bank will make the remuneration and performance better match, to prevent the occurrence of imprudent behavior of employees resulting from improper or excessive incentive motivation and insufficient risk linkages.

3. *The formulation of performance appraisal methods and the completion of performance indicators*

During the Reporting Period, the Bank formulated the Classification and Assessment and Allocation Management Measures for Tier-One Branches of Bohai Bank (2022 Revision), the Implementation Plan for Comprehensive Performance Assessment of Branches of Bohai Bank in 2022, the Implementation Plan for Comprehensive Performance Assessment of Hong Kong Branch of Bohai Bank in 2022, the Management Measures for Departmental Performance Assessment of Head Office of Bohai Bank (2022 Revision), and the Management Measures for Annual Comprehensive Performance Assessment of Middle Managers of Bohai Bank (2022 Revision).

The Bank continued to follow the general principle of making stability top priority and pursuing progress while ensuring stability, and maintained development within an appropriate range; the Bank's capital adequacy ratio, allowance coverage ratio, non-performing loan ratio, leverage ratio, allowance to gross loan ratio and other indicators complied with the regulatory and assessment requirements; the regulatory evaluation and customer satisfaction and other social responsibility indicators complied with the assessment requirements.

4. Salaries of employees who have a significant impact on risks

There are 377 people in the Bank, including the assistant president of the Head Office, line presidents of the Head Office, middle managers of the Head Office, presidential-level management of branches and marketing directors of branches, who have a significant impact on risks. The total remuneration in 2022 amounted to RMB614.73 million, among which 40% of the performance remuneration will be deferred for three years, which meets regulatory requirements.

5. Deferred payment of remuneration and non-cash remuneration

The Bank implemented the deferred payment and reclaiming of performance remuneration in accordance with the relevant remuneration management measures. The reclaiming of performance remuneration includes reclaiming paid performance remuneration and terminating payment of unpaid performance remuneration. For relevant responsible persons who have violated regulations and disciplines, or caused significant exposure to risks within the scope of their responsibilities due to obvious negligence or failure to exercise prudent management, the Bank shall reclaim and withhold their performance remuneration of the corresponding periods. In 2022, the Bank reclaimed and withheld performance remuneration of 370 employees in an amount of RMB17.6 million.

During the Reporting Period, the Bank did not implement any equity incentive plan.

6. Exceptions to the original remuneration package

During the Reporting Period, there were no exceptions beyond the original remuneration package.

(III) The Positions of Directors, Supervisors and Members of Senior Management at Shareholders

Name	Employer	Position	Term of Service
FUNG Joi Lun Alan	Standard Chartered Bank (Hong Kong) Limited	Managing director	October 2020 to present
ZHANG Yunji	Tianjin Shanghui Investment Holding Company Limited	Chairman of the board of directors	September 2009 to present

(IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members**Directors****Mr. LI Fuan**

Representative of the 19th National Congress of the Communist Party of China, Representative of the 17th National People's Congress of Tianjin Municipality, senior economist, holder of doctoral degree, Director of Western Returned Scholars Association (Overseas-educated Scholars Association of China), and Chairman of the Finance Committee, Director and deputy Chairman of Tianjin Western Returned Scholars Association (Overseas-educated Scholars Association of Tianjin). He has been engaged in supervision in the systems of PBoC and CBRC for a long time, and once held the positions of deputy division director and division director of internal control and supervision bureau of PBoC, division director of foreign banks supervision division of the first division of banks supervision, division director of supervision and regulation division and assistant inspector of division of banks regulation; deputy director of the policy and legal department of CBRC, deputy director and director of banking innovation supervision department, secretary of the party committee and head of Henan Supervision Bureau of CBRC, and director of non-bank financial institutions supervision department of CBRC. He currently serves as the secretary of the party committee and chairman of the Bank.

Mr. FUNG Joi Lun Alan

Associate of the Chartered Institute of Bankers, England with a bachelor's degree. He previously served as regional head of operation of East Asia, chief operating officer of the China region and head of strategic development (Greater China) of Standard Chartered Bank (Hong Kong) Limited, responsible for leading and implementing strategic plans and cross-border projects. He currently serves as vice chairman of the Bank and managing director of Standard Chartered Bank (Hong Kong) Limited.

Ms. YUAN Wei

Being a senior economist with a doctoral degree, she previously served as deputy general manager of financial business department of China Shipping Container Lines Co., Ltd. (中海集裝箱運輸股份有限公司), deputy general manager of financial business department of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司), and investment director of COSCO Shipping Captive Insurance Co., Ltd. (中遠海運財產保險自保有限公司). She currently serves as a non-executive Director of the Bank, chief investment officer and general manager of strategic investment department of COSCO SHIPPING Development Co., Ltd.

Mr. YE Baishou

Being a senior accountant with a bachelor's degree, he previously held the positions of division director of the finance division, vice director of finance and accounting department, and deputy director of finance planning department of State Development & Investment Corporation, chairman of the board of directors of Shenzhen Kangtai Biological Products Co., Ltd., director of finance and accounting department and deputy chief economist of State Development & Investment Corporation, vice chairman and chairman of SDIC Capital Holdings Co., Ltd., chairman of SDIC Capital Co., Ltd., and chairman of the board of directors of SDIC Taikang Trust Co., Ltd. He currently serves as a non-executive Director of the Bank.

Mr. HU Aimin

Mr. HU has a university education background. He previously served as a deputy general manager and the general manager of the capital operation department and the general manager of the investment management department, the general manager of industry and finance integrated development center and the secretary of the party working committee of industry and finance of China Baowu Steel Group Corporation Limited, the secretary of the party committee, a director and senior vice president of Shanghai Baosteel Packaging Co., Ltd., and the general manager of Hwabao Investment Co., Ltd. He currently serves as a non-executive Director of the Bank, the secretary of the party committee and chairman of the board of directors of Hwabao Investment Co., Ltd., a director of Hwa Bao Securities Co., Ltd., a director of Zhongjin Ruide (Shanghai) Shareholding Investment Management Co., Ltd., a director of New China Life Insurance Company Ltd., and a supervisor of Xinjiang Tianshan Steel United Co., Ltd.

Mr. ZHANG Yunji

Mr. ZHANG has a master's degree. He once worked in Tianjin Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司天津市分行) for a long time, where he served as an assistant to the president and a vice president. In addition, he used to serve as the chairman of the board of directors and the general manager of Tianjin Rongsheng Xinye Investment and Development Co., Ltd. He currently serves as a non-executive Director of the Bank and the chairman of the board of directors of Tianjin Shanghui Investment Holding Company Limited and Rongxinhui (Tianjin) Finance Lease Co., Ltd.

Mr. QU Hongzhi

Mr. QU is a senior economist with a master's degree in finance and a doctor's degree in management. He once worked in China Construction Bank Corporation, where he served as the general manager of asset security department and general manager of legal affairs department of Tianjin branch, the president of Nankai sub-branch, the president of Heping sub-branch, an assistant to the president, a vice president and a member of the party committee of Tianjin branch, and the deputy secretary of the party committee and a vice president of Jiangsu branch. He currently serves as the deputy secretary of the party committee, an executive Director and the president of the Bank.

Mr. DU Gang

Mr. DU has a master's degree and used to be engaged in supervision at the PBoC and the CBRC for a long time. He was once the deputy inspector of the national joint stock commercial bank supervision department of China Banking and Insurance Regulatory Commission. He currently serves as a member of the party committee, an executive Director, a vice president and the secretary to the Board of Directors of the Bank.

Mr. ZHAO Zhihong

Mr. ZHAO is a senior economist with a doctor's degree. He once worked in China Construction Bank Corporation, where he served as a deputy division director of the general business division of the credit management department, a deputy division director of sub-branches supervision division III, the division director of the risk study division, and a manager of the general division at the credit risk management department, a manager and senior manager of authorization management division and a senior risk manager at the risk management department, a senior risk manager and deputy general manager of the quality and efficiency control department, a deputy general manager of the product and quality management department, and a deputy general manager of the product innovation and management department. He once served as the director of the strategic development and investment management office, strategic development president, an assistant to the president and the secretary to the Board of Directors of the Bank. He is currently an executive Director, a vice president and the chief risk officer of the Bank.

Mr. MAO Zhenhua

Mr. MAO is a senior economist with a doctor's degree and has been working in China Chengxin Credit Management Co., Ltd. (formerly known as China Chengxin Securities Rating Co., Ltd.) for a long time. He once served as the chairman of the board of directors of Zhong Chengxin Securities Rating Co., Ltd. and a director of China Chengxin International Credit Rating Co., Ltd. He is currently an independent non-executive Director of the Bank, the chairman of the board of directors of China Chengxin Credit Management Co., Ltd. and China Chengxin Investment Group Co., Ltd., a director of Zhong Chengxin Securities Rating Co., Ltd., China Chengxin Credit Technology Co., Ltd., Shengang Securities Co., Ltd. and Airstar Bank Limited, a non-executive director of Meilleure Health International Industry Group Limited, an independent non-executive director of China Infrastructure & Logistics Group Ltd., the chief economist of China Chengxin International Credit Rating Co., Ltd., the joint head of Economic Research Institute of Renmin University of China, and the dean of Dong Fureng Economic and Social Development Research Institute of Wuhan University (Beijing).

Mr. CHI Guotai

Mr. CHI is a professor and doctoral supervisor with a doctor's degree. He once served as a lecturer and an associate professor in the banking management department of Heilongjiang College of Financial Staff and an associate professor in the School of Economics and Management of Dalian University of Technology. He is currently an independent non-executive Director of the Bank, a professor in the School of Economics and Management, and the director of the Research Center for Financial Risk and Systematic Evaluation Management (金融風險與系統評價管理研究中心) of Dalian University of Technology, and an expert in the Discipline Planning and Review Team (學科規劃評審組) of the National Social Science Fund of China.

Mr. MU Binrui

Mr. MU is a senior economist with a bachelor's degree and is granted the special government allowance by the State Council. He once served as a deputy general manager of foreign business department, a deputy general manager of marketing department, a deputy general manager and the general manager of credit management department, a deputy chief credit executive officer and the general manager of credit management department of Bank of Communications Co., Ltd. He is currently an independent non-executive Director of the Bank, an independent non-executive director of China Yongda Automobiles Services Holdings Limited, and an independent director of Shanghai Shengtong Information Technology Co., Ltd. (上海聲通信息科技股份有限公司).

Mr. TSE Yat Hong

Mr. TSE is a Fellow of the Hong Kong Institute of Certified Public Accountants, and a Fellow of Certified Public Accountants (FCPA) of CPA Australia with a bachelor's degree. He once served as the chief financial officer and company secretary of Shenzhen International Holdings Limited and as a joint company secretary and non-executive director of Shenzhen Expressway Company Limited. He is currently an independent non-executive Director of the Bank and an independent non-executive director of China Huirong Financial Holdings Limited, Radiance Holdings (Group) Company Limited and E-Star Commercial Management Company Limited.

Mr. ZHU Ning

Mr. ZHU is a professor and doctoral supervisor with a doctor's degree. He once taught at the University of California, Davis. He is currently an independent non-executive Director of the Bank, a vice dean and professor of Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University, an independent non-executive director of China Huarong Asset Management Co., Ltd. and an independent director of Molecular Data Inc.

Mr. SHUM Siu Hung Patrick

Mr. SHUM has a bachelor's degree. He served as the China chief risk officer and vice president of ABN AMRO, the senior credit approval officer and senior vice president, the professional credit approval officer of China real estate of DBS Bank (China) Limited, the director and the credit approval officer of commercial real estate (Asia, excluding Japan) of Deutsche Bank, the vice president and director of credit risk department of OCBC Wing Hang Bank (China) Limited, the director of the risk department in China and the head of credit risk in the Great China Region of Maybank. He is currently an independent non-executive Director of the Bank.

Supervisors

Mr. WANG Chunfeng

Mr. WANG is a professor (教授) and a doctoral supervisor (博士生導師) with a doctorate's degree. He served as the director (所長) at the Institute of Systems Engineering, School of Management (管理學院系統工程研究所), the director (主任) of the Financial Engineering Research Center (金融工程研究中心) in Tianjin University. He also served as the secretary general (秘書長) of Tianjin University Beiyang Education Foundation (天津大學北洋教育基金會), a vice president (副總裁) (temporary assignment) (掛職) at Bohai Securities Co., Ltd., a deputy director (副主任) at Tianjin Municipal Development Planning Commission (天津市發展計劃委員會), a deputy secretary of the party committee, the president (總裁), a secretary of the party committee, the chairman of the board of directors at Bohai Securities Co., Ltd. (渤海證券股份有限公司). He now serves as a deputy secretary of the party committee, the chairman of the Board of Supervisors (監事長), the union president (工會主席) at our Bank, the chairman of the board of supervisors of the Northern Finance Institute (北方新金融研究院).

Mr. QI Ershi

Mr. QI is a professor and a doctoral supervisor with a master's degree. He served as the head (院長) at the College of Management in Tianjin University, an expert of the National High-Tech Research and Development Program (國家高技術研究發展計劃) ("863 Program"), the director (主任) of the Management Science and Engineering Specialty Teaching Guidance Committee of Higher Schools of the Ministry of Education (教育部高等學校管理科學與工程類專業教學指導委員會), a general expert of Informatization of the Ministry of Science and Technology (科技部). He now serves as an external Supervisor of our Bank, a professor (教授) at the College of Management and Economics (管理與經濟學部) in Tianjin University, an expert in management innovation methods of the Ministry of Science and Technology, an expert in the Academic Degrees Committee of the State Council (國務院學位委員會).

Mr. DIAO Qinyi

Mr. DIAO is a senior economist with a bachelor's degree. He worked at Agricultural Bank of China, and served as a member of the party committee and a vice president at Shandong branch (山東省分行) of Agricultural Bank of China, a secretary of the party committee and the president at Shandong branch, the general manager of the credit management department (信貸管理部) and the credit review and approval center (信貸審查審批中心) (tier-two department) (二級部) (director level) (正局級), the chief operating officer (運營管理總監), the chief investment officer (投資總監), and the chief compliance officer (合規總監) at the head office, an external director (外部董事) at Angang Group Company Limited (鞍鋼集團有限公司), and a director at CITIC-Prudential Life Insurance Company Ltd. (中信保誠人壽保險有限公司). He now serves as an external Supervisor of our Bank and an independent director of Bank of Hebei Co., Ltd.

Mr. HUI Yung Chris

Mr. HUI has a bachelor's degree. He served as a manager of the financial engineering department (金融工程部) at the Hong Kong branch of Citibank N.A. (花旗銀行), a vice president (副總裁) of the debt transaction group (債務交易組) at Merrill Lynch (Asia Pacific) Limited (美林(亞太)有限公司), a director in the global markets (全球市場), debt capital markets South Asia department (東南亞債務資本市場部) at the Hong Kong branch of Deutsche Bank AG (德意志銀行), a managing director (董事總經理) at Barclays Capital Asia Limited (巴克萊亞洲有限公司) (during which period he had also been the head (主管) of the investment banking department in China and Hong Kong (中國和香港投資銀行部)), a director at New China Trust Co., Ltd. (新華信託股份有限公司), a founding partner (創始合夥人) at J&Partners GP Limited, the secretary of the board of directors at Wanda Commercial Properties Company Limited (萬達商業地產股份有限公司), a non-executive director at Wanda Hotel Development Company Limited (萬達酒店發展有限公司), an executive director of Hong Kong Taigu (China) Group Co., Ltd (香港太谷(中國)集團有限公司) and director of its subsidiary, New Weigu (Fujian) Biological Engineering Co., Ltd. (新味谷(福建)生物工程股份有限公司) (Previous company name: Weigu (Guangdong) Biological Engineering Technology Co., Ltd. (味谷(廣東)生物工程科技有限公司)), and an independent non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司). He now serves as an external Supervisor of our Bank, the chief executive officer and an executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), and a director of Hong Kong Taigu (China) Group Co., Ltd (香港太谷(中國)集團有限公司).

Mr. MA Shuming

Mr. MA is an economist with a bachelor's degree. He served as a league secretary and the director of the union office of the Jilin Central sub-branch of the People's Bank of China; the acting head of the personnel division, director of the office (director of the party committee office), deputy researcher (副調研員), secretary to the discipline inspection commission and committee member of the party committee of the CBRC Jilin sub-office; the deputy director and director of the back office services center (後勤服務中心) of the CBRC Jilin office; the secretary to the party committee and director (局長) of the CBRC Siping office; a member of the preparation team (籌備組), member of the party committee and vice president of the Bank's Changchun branch, the secretary to the party committee, president of the Tianjin Binhai New District branch of the Bank and the director of the office of the Board of Supervisors of the Bank. He now serves as an employees' representative Supervisor, director of the Inspection Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會巡察工作辦公室), director (concurrent position) (主任(兼)) of the Discipline Inspection Liaison Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會紀律檢查工作聯絡辦公室), member and secretary (concurrent position) (書記(兼)) of the Party Committee for Discipline Inspection of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司機關紀律檢查委員會).

Senior Management

The detailed biographies of Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong are set out in the section headed "Directors".

Mr. XIE Kai

Mr. XIE is a senior engineer with a doctor's degree in finance. He once served as a secretary at deputy-director level of the secretariat of the office, the deputy director and director of e-commerce department of electronic banking department, the director of innovation business department of electronic banking department, a member of the party committee and a vice president of Jiangsu Nantong branch, the director of mobile finance department of electronic banking department, the director of mobile finance department of internet finance department, the director of business cooperation department of e-financing department, the deputy general manager of technology and product management bureau, the deputy general manager of internet banking department, and the deputy general manager of the county area banking & inclusive finance internet finance management centre of Agricultural Bank of China. He is currently a vice president of the Bank.

Mr. JIN Chao

Mr. JIN is a senior economist with a doctor's degree. He once served as the assistant to the president, a member of the party committee and the vice president of the Beijing Wangfujing sub-branch, the deputy general manager of international business department and the deputy general manager of investment banking department of Beijing branch of the Industrial and Commercial Bank of China; a member of the party committee, the vice president and the chief risk officer, the secretary of the party committee and the president of the Shanghai Free Trade Zone branch of Ping An Bank, the secretary of the party committee and the president of Fuzhou branch of Ping An Bank. He is currently a vice president of the Bank.

(V) Changes in Directors, Supervisors and Members of Senior Management

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. CUI Xuesong would resign as a non-executive Director and a committee member of the Development Strategy and Inclusive Finance Committee and the Audit and Consumer Rights Protection Committee under the Board of Directors of the Bank due to the adjustment of work position, which came into effect from March 29, 2022.

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. LI Yi would resign as an executive Director and a committee member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee under the Board of Directors of the Bank due to the adjustment of work position, which came into effect from March 29, 2022.

The 32nd meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. WANG Zhiyong would resign as a non-executive Director and a member of the Nomination and Remuneration Committee under the Board of Directors of the Bank due to the adjustment of work position, which came into effect from April 21, 2022.

The 32nd meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. ZHANG Xifang would resign as a non-executive Director and a committee member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee under the Board of Directors of the Bank due to the adjustment of work position, which came into effect from April 21, 2022.

On May 16, 2022, Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou were elected as non-executive Directors of the Bank, Mr. ZHAO Zhihong was elected as an executive Director of the Bank and Mr. SHUM Siu Hung Patrick was elected as an independent non-executive Director of the Bank at the 2021 annual general meeting of the Bank. On July 28, 2022, CBIRC approved the qualification of Mr. ZHAO Zhihong as a director. Mr. ZHAO Zhihong has been an executive Director of the Bank, a member of the Risk Management and Green Finance Committee of the Board of Directors and a member of the Related Party Transactions Control Committee of the Board of Directors with effect from July 28, 2022. On October 31, 2022, CBIRC approved the qualification of Mr. SHUM Siu Hung Patrick as an independent director. Mr. SHUM Siu Hung Patrick has been an independent non-executive Director of the Bank, a member of the Nomination and Remuneration Committee and a member of the Audit and Consumer Rights Protection Committee of the Board of Directors with effect from October 31, 2022. In view of the fact that Mr. WANG Ren resigned as an independent non-executive Director of the Bank, a member of the Nomination and Remuneration Committee and a member of the Audit and Consumer Rights Protection Committee of the Board of Directors due to personal work re-arrangement on October 29, 2021, Mr. WANG Ren ceased to perform the duties of the above positions after the CBIRC approved the qualification of Mr. SHUM Siu Hung Patrick as a director and from October 31, 2022. The qualification of Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou is subject to the approval by the banking regulators.

During the Reporting Period, there was no change to the Supervisors and members of senior management of the Bank.

(VI) Changes in the Information of Directors and Supervisors

Mr. TSE Yat Hong, an independent non-executive Director of the Bank, ceased to be an independent non-executive director of Sky Light Holdings Limited.

Save as above information and the content disclosed in “(IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members” in this section, no information on Directors or Supervisors is subject to disclosure in accordance with Rule 13.51B(1) of the Listing Rules.

(VII) Directors, Supervisors and Chief Executives' Interests in the Bank

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executive had any interests or short positions in the Shares, underlying Shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

II. STAFF

(I) The Number and Structure of Staff

As of the end of the Reporting Period, the Bank had 13,286 employees, including 6,206 male employees and 7,080 female employees. The age structure, educational background and professional post structure of the employees are as follows:

1. Age structure of employees

Age	Number of employees	Structure (%)
Aged 30 or below	3,404	25.62
Aged 31-35	3,742	28.16
Aged 36-40	3,030	22.81
Aged 41-45	1,428	10.75
Aged 46-50	953	7.17
Aged over 50	729	5.49
Total	13,286	100.00

2. Educational background of employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	3,553	26.74
Undergraduate/Bachelor's degree	9,489	71.42
College and lower	244	1.84
Total	13,286	100.00

3. Professional post structure of employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,858	21.51
Retail banking	3,075	23.14
Financial markets	299	2.25
Online finance	137	1.03
Finance and assets & liabilities	305	2.30
Risk management	835	6.29
Audit, legal, internal control & compliance	383	2.88
Business operation	2,281	17.17
Information technology	1,271	9.57
Others	1,842	13.86
Total	13,286	100.00

In addition to the employees with whom the Bank has entered into labor contracts, as of the end of the Reporting Period, the Bank also engaged 233 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Bank.

(II) Human Resource Management

During the Reporting Period, the Bank closely focused on the overall strategic goal of transformation and development, strived to improve human resource management capabilities, continued to promote the reform of the “three systems”, created a scientific compensation management system, improved the assessment and evaluation mechanism, and strengthened the construction of the “three enabling” mechanism, which enables managers to be promoted or demoted, employees to be hired or dismissed, and compensation to be increased or decreased, so as to fully stimulate the internal driving force and creative vitality of enterprise development. We vigorously promoted marketization mechanism for selecting and appointing employees, broadened talent introduction channels, coordinated the selection, training, management and appointment of cadres, and built the high-quality cadre team; actively implemented the requirements of transformation and development, innovated talent discovery and training models, established a clear orientation for selecting and employing talents, increased the reserve of professional talents, optimized the organizational structure and human resource structure, realized the multi-channel and diversified development of talents, and provided effective organizational and personnel support for the operation and management of the whole bank.

(III) Staff Training

During the Reporting Period, in accordance with Bohai Bank’s training system construction plan, the Bank further refined the nodes of the plan, constructed the logical relationship between the planned system and specific tasks, and formed a construction plan guided by the demand system, curriculum system, teaching system and platform system construction to facilitate the construction of the entire system, completing the transition from the planning phase to the construction phase.

Managed the demand system. The Bank formulated and issued the “Training Fee Management Measures of CHINA BOHAI BANK CO., LTD. (2022 Edition)”, which enhanced the scientificity and formality of the training plan, boosted the pertinence and effectiveness of the training programs, and scientifically and rationally arranged training budgets to improve the efficiency of training fee in adherence with the principles of strict economy, budget control, moderate concentration and dedicated use of training fee.

Standardized the curriculum system. Taking the construction of the curriculum system as the starting point, the Bank accumulated course resources and gradually established course classifications, and a working mechanism has been basically formed to timely transmit product knowledge, business trends, process operations, risk reminders and key compliance points through the channels of the training system.

Strengthened the teaching system. The Bank formulated and issued the “Internal Part-time Trainer Management Measures of Bohai Bank (2022 Revision)”, which put forward requirements for training quality, standardized the application and evaluation management of internal trainers, refined and improved the standards and grades of evaluation incentives, and standardized the content and form of teaching management. Through improving the training system, the Bank built a standardized team of internal trainers, enhanced the professional quality of internal trainers, standardized professional behavior, maintained teaching standards, and promoted the steady development of the team of internal trainers.

Promoted the platform system. The Bank combined the actual training scenarios and needs with the operating experience of the current platform in use to plan supporting system functions, data logic and flow direction in integration of advanced design concepts and system functions, and initially formed a data-centered business logic that supports basic services and training services structure, gradually realizing the parallel construction of new platforms and the operation of existing platforms.

III. BRANCHES

Institution Name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction (including community)	Number of employees in the institutions under jurisdiction
Head Office	2,532	218 Haihe East Road, Hedong District, Tianjin	–	–
Capital Operation Center	72	5F, Building 1, No. 28, Jianguomennei Avenue, Dongcheng District, Beijing	–	–
Tianjin Branch	408	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/37	648
Tianjin Binhai New District Branch	182	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic-Technological Development Area	0/10	149
Tianjin Pilot Free Trade Zone Branch	23	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/02	19
Beijing Branch	327	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/23	382
Hangzhou Branch	212	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/14	287
Taiyuan Branch	212	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	2/08	223
Chengdu Branch	219	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/13	235
Jinan Branch	195	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/14	327
Shanghai Branch	182	No. 68 Yincheng Middle Road, Pudong New Area, Shanghai	0/15	178
Shanghai Pilot Free Trade Zone Branch	111	No. 1229 Century Avenue, Shanghai Pilot Free Trade Zone	–	–
Shenzhen Branch	189	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/11	165
Shenzhen Qianhai Branch	131	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	0/01	4
Nanjing Branch	208	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	6/10	424
Suzhou Branch	196	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	90
Dalian Branch	169	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/10	188
Guangzhou Branch	228	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/13	338
Changsha Branch	182	Jiasheng Business Plaza, No. 289 Laodong West Road, Tianxin District, Changsha City, Hunan Province	3/10	219

Institution Name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction (including community)	Number of employees in the institutions under jurisdiction
Shijiazhuang Branch	208	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/13	305
Wuhan Branch	193	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/15	232
Hohhot Branch	120	No. 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/02	85
Fuzhou Branch	140	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/02	63
Hefei Branch	143	No. 269 Suixi Road, North First Ring, Luyang District, Hefei City, Anhui Province	0/04	48
Zhengzhou Branch	157	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/07	103
Xi'an Branch	173	1F-6F, Building 4, No. 31, Tangyan Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/06	78
Changchun Branch	117	No. 2699 Xi'an Road, Lvyan District, Changchun City, Jilin Province	0/02	25
Chongqing Branch	104	Building 2, Lifan Center, No. 6, Juxiyan Square, Jiangbei District, Chongqing	0/05	63
Shenyang Branch	95	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/03	60
Xiamen Pilot Free Trade Zone Branch	88	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Area), Xiamen City, Fujian Province	0/01	18
Haikou Branch	82	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	0/01	12
Qingdao Branch	96	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/03	43
Ningbo Branch	84	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	0/01	11
Nanning Branch	85	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhua Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	0/02	26
Nanchang Branch	110	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/05	47
Guiyang Branch	73	No. 1, 1F and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province	-	-
Kunming Branch	81	No. 391, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province	-	-
Hong Kong Branch	64	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	-	-

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management. The Shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, and is accountable to the Shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the Shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this annual report.

During the Reporting Period, the Bank strictly complied with the laws and regulations, such as the Company Law, the Commercial Banking Law, the Listing Rules, the Articles of Association of the Bank and other corporate governance regulations, thoroughly implemented the national strategic decisions and financial regulatory requirements, adhered to the leadership of Party Building, effectively integrated the Party's leadership into all aspects of corporate governance, strived to practice good corporate governance standards, and continuously improved the corporate governance mechanism, thus steadily enhancing the corporate governance capability and the quality and efficiency of operation and management. All corporate governance entities of the Bank performed their respective duties and responsibilities, coordinated operation and exercised effective checks and balances, which further improved the efficiency of discussion and level of decision-making.

II. SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the supreme authority of the Bank. Its principal responsibilities include: determining the operation strategies and investment plans; approving the annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans; electing and replacing Directors, Shareholders' representative Supervisors and external Supervisors; approving the reports of the Board of Directors and Board of Supervisors and amending the Articles of Association, etc.

For detailed information on the duties of the Shareholders' general meeting of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(I) Shareholders' Rights

1. *Convening an extraordinary general meeting*

An extraordinary general meeting shall be convened within two months upon the request in writing of Shareholder(s) individually or jointly holding 10% or more of the total voting shares issued by the Bank (hereinafter referred to as "proposing shareholders"). The proposing shareholders may sign one or several written requests with the same format and contents to propose to the Board to convene an extraordinary general meeting and specify the meeting topics. The Board shall, pursuant to laws, regulations and the Articles of Association of the Bank, give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the request.

2. *Proposing a proposal to the Shareholders' general meeting*

Where the Bank convenes a Shareholders' general meeting, Shareholder(s) individually or jointly holding 3% or more of the total voting shares issued by the Bank may put forward an interim proposal and submit it to the Board in writing within 10 days before the Shareholders' general meeting is convened; the Board shall, within two days after receipt of the interim proposal, issue a supplementary notice of the Shareholders' general meeting and submit the interim proposal to the Shareholders' general meeting for consideration. The contents of the interim proposal shall be within the terms of reference of the Shareholders' general meeting and have definite topics for discussion and specific issues for resolution.

3. Convening an interim Board meeting

When the Shareholder(s) individually or jointly holding 10% or more of the total voting shares of the Bank propose to convene an interim Board meeting, the chairman of the Board shall convene the meeting within five working days.

4. Inquiring with the Board of Directors

Shareholders who provide the Bank with a written document certifying the class and number of shares they hold in the Bank, and upon authentication of the identity of the Shareholder by the Bank, shall have the right to obtain relevant information of the Bank in accordance with laws and regulations and the Articles of Association of the Bank, including the Articles of Association of the Bank, share register, minutes of the Shareholders' general meetings, resolutions of Board meetings and meetings of the Board of Supervisors, the latest audited financial and accounting report and the auditor's report, etc. For contact details of Shareholders' inquiries to the Bank, please see "Corporate Profile" in this annual report.

For detailed information on the Shareholders' rights of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(II) Shareholders' Communication Policy

The Bank has formulated the "Shareholders' Communication Policy", which lists the purpose, general policies, communication channels, communication with the investment market and shareholder privacy of its shareholders' communication policy. The communication channels between the Bank and shareholders include:

Shareholders' inquiries

- The Bank has disclosed the Company's contact information on its website so that shareholders can make inquiries about the Bank.
- Shareholders may inquire about their shareholding at the Share Registrar of the Bank.
- Shareholders may request public information of the Bank at any time.

Corporate communications

- Corporate communications (within the meaning of the Listing Rules), including but not limited to (i) directors' reports, annual accounts together with auditors' report, (ii) interim reports, (iii) notices of meetings, (iv) listing documents, (v) circulars, (vi) proxy forms, (vii) application proof, and (viii) post hearing information pack.
- Corporate communications will be despatched to shareholders in a timely manner and must be written in plain Chinese and English.

Company website

- The “Investor Relations” column of the Bank’s website (www.cbhb.com.cn) provides shareholders with corporate information, such as corporate communications and key financial information of the Bank.
- The Bank shall publish its results announcement on the websites of the Hong Kong Stock Exchange and the Bank after the Board of Directors approves the results.
- The information submitted by the Bank to the Hong Kong Stock Exchange for publication on the Hong Kong Stock Exchange website will also be published on the Bank’s website immediately. Such information includes but is not limited to annual reports, interim reports, announcements, circulars, notices of general meetings and information required by the Listing Rules from time to time.
- Press releases and publications issued by the Bank from time to time are also available on the Bank’s website.
- The information on the Bank’s website will be updated regularly.

Shareholders’ general meeting

- The Bank’s general meeting of shareholders provides an opportunity for constructive communication between the Bank and shareholders.
- The Bank will make appropriate arrangements for shareholders’ general meetings to encourage shareholders’ participation.
- When the Bank convenes an annual general meeting, the Bank shall issue a written notice 20 days before the meeting. When the Bank convenes an extraordinary general meeting, the Bank shall issue a written notice 15 days before the meeting. The written notice shall include the matters to be considered at the meeting and the date and venue of the meeting to all shareholders of record. If the securities regulatory authority of the place where the Bank’s shares are listed requires a longer notice period for the shareholders’ general meeting, such provisions shall prevail.

The Bank will issue circulars and proxy forms related to general meetings according to the notice period required by the Bank’s Articles of Association and the Listing Rules.

- Members of the Board of Directors, especially the chairman of each committee under the Board of Directors or their representatives, appropriate administrative personnel and external auditors should attend the general meeting of shareholders to answer questions from shareholders.
- The Bank will review the procedures for the general meeting from time to time to ensure compliance with the Bank’s Articles of Association, the Listing Rules and applicable laws as well as good corporate governance practices. Separate resolutions on substantially separate issues will be submitted to the general meeting of shareholders for voting. Except for the chairman of the meeting making a decision in good faith to allow voting on a motion purely related to procedural or administrative matters by a show of hands, any votes made by shareholders at the general meeting must be conducted by ballot. The general meeting of shareholders will appoint scrutineers to count the votes. After the general meeting of shareholders, the voting results will be announced on the websites of the Bank and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened 1 general meeting, 1 domestic shareholders' class meeting and 1 H shareholders' class meeting in strict compliance with relevant laws and regulations, the Bank's Articles of Association and the Rules of Procedures for General Meetings of Shareholders to actively interact and communicate with shareholders. The Bank timely disclosed results announcements, periodic reports, announcements, circulars, notices of shareholders' meetings and other information in accordance with regulatory requirements, and continuously updated the Bank's website to protect investors' right to know. It also made full use of investor hotlines, investor mailboxes and other online channels to maintain communication with investors and respond to investor concerns in a timely manner. After review, the Bank's Shareholders' Communication Policy continued to be effective during the Reporting Period, and the Bank's communication with shareholders and investors complied with relevant regulations.

(III) Introduction to the General Meeting

The Bank held the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 in Tianjin on May 16, 2022. The relevant information is as follows:

Shareholders or their proxies attending the 2021 annual general meeting represented a total of 13,423,854,505 ordinary shares with voting rights of the Bank. 16 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2021, the Report of the Board of Supervisors for 2021, the Report of Final Financial Accounts for 2021, the Profit Distribution Plan for 2021, the Financial Budget Report for 2022, the Investment Plan for 2022, re-appointment of external auditors for 2022, the Loan Reduction and Exemption Authorization Plan, the remuneration of Mr. LI Fuan for 2020, election of Mr. QU Defu as a non-executive Director of the Bank, election of Mr. ZHUANG Qifei as a non-executive Director of the Bank, election of Mr. LUAN Xianzhou as a non-executive Director of the Bank, election of Mr. ZHAO Zhihong as an executive Director of the Bank, election of Mr. SHUM Siu Hung Patrick as an independent non-executive Director of the Bank, the general mandate granted to the Board of Directors to issue Domestic Shares and/or H Shares, and the amendments to the Articles of Association of the Bank.

The meeting also reviewed 9 written reports, including the Report on Resignation of Mr. WANG Zhiyong as a Non-executive Director of the Bank, the Report on Resignation of Mr. CUI Xuesong as a Non-executive Director of the Bank, the Report on Resignation of Mr. ZHANG Xifang as a Non-executive Director of the Bank, the Report on Resignation of Mr. LI Yi as an Executive Director of the Bank, the Report on Resignation of Mr. WANG Ren as an Independent Non-executive Director of the Bank, the Bank's 2021 Report on Related Party Transactions and Management of Related Party Transactions (2021 年度關聯交易及關聯交易管理情況報告), the 2021 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members issued by the Board of Supervisors (監事會對董事會、高級管理層及其成員 2021 年度履職評價報告), the 2021 Report on Self-evaluation of the Board of Supervisors and Assessment of the Performance of Duties of Supervisors (2021 年度監事會自我評價和監事履職評價報告), and the Report of the Board of Supervisors on Independent Opinions on Related Matters in 2021 (監事會關於 2021 年度有關事項獨立意見的報告).

Domestic shareholders or their proxies attending the first domestic shareholders' class meeting of 2022 represented a total of 10,190,738,261 Domestic Shares with voting rights of the Bank. The resolution on the amendments to the Articles of Association of the Bank was considered and approved at the meeting and a meeting resolution was formed.

H shareholders or their proxies attending the first H shareholders' class meeting of 2022 represented a total of 3,200,942,244 H Shares with voting rights of the Bank. The resolution on the amendments to the Articles of Association of the Bank was considered and approved at the meeting and a meeting resolution was formed.

11 Directors of the Bank attended the above meetings and the Supervisors and senior management of the Bank were present at the meetings. The PRC legal advisor of the Bank witnessed the convening of the above meetings and other related matters in accordance with the law, and believed that the meetings were in compliance with relevant laws and regulations, regulatory documents and the Articles of Association. For details of the meetings, please refer to the circular, notices and the poll results announcement of the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 published on the websites of the HKEX and the Bank.

III. BOARD OF DIRECTORS

(I) Members of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank consisted of fifteen Directors, including four executive Directors: Mr. LI Fuan (chairman), Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong, five non-executive Directors: Mr. FUNG Joi Lun Alan (vice chairman), Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin and Mr. ZHANG Yunji and six independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick.

Recognizing the importance of board diversity in enhancing corporate governance and operational efficiency, the Bank has formulated the Board Diversity Policy, which sets out the objectives, vision, overall policy, measurable objectives, review and monitoring of the Board Diversity Policy. The main content of the Board Diversity Policy is that: The Board is committed to continuously improving its operational efficiency and maintaining a high level of corporate governance, and recognizes that diversity at the Board level is essential to maintaining competitiveness and sustainable development. In designing the composition of the Board of Directors, the Bank has considered and undertakes to consider the diversity of the Board from various aspects, including but not limited to gender, age, cultural and educational background, race, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time required to be a Director, as well as any other factors which the Board may deem relevant and applicable from time to time. The Board seeks to ensure that it has the balance of skills, experience and diversity of perspectives that are necessary for the Board to execute its business strategy and function effectively. When selecting candidates for the Board, the Bank will take into account the Board Diversity Policy, and the selection will ultimately be based on the views and perspectives, skills and experience that the designated candidates can bring to the Board, the promotion of Board diversity, as well as any other contributions they may make to the Board. The Board of Directors is responsible for reviewing the Board Diversity Policy and monitoring its implementation. The Nomination and Remuneration Committee under the Board of Directors reviews the structure, size and composition of the Board (including in terms of skills, knowledge and experience) at least once annually, and fully considers the requirements of the Board Diversity Policy when nominating a Director candidate. The 15 Directors of the Bank include both male and female representatives and have a relatively wide range of age, ranging from 49 to 75 years old. The Directors have a balanced mix of experience in banking, corporate management, economics and finance. The relatively diverse composition of the Board of Directors ensures that the Board of Directors of the Bank can absorb various opinions, accumulate various advantages, and make scientific and efficient decisions. The Directors express their opinions and suggestions based on their respective expertise and advantages, and contribute their wisdom and strength to the effective operation of the Board of Directors and the stable development of the Bank's business. Considering the situation of the current Directors of the Bank, the Nomination and Remuneration Committee of the Board of Directors is of the view that the Board of Directors of the Bank is sufficiently diverse. For basic information and biographical details about the members of the Board of Directors, please see "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" in this annual report.

(II) The Responsibility of the Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting and responsible for operation and management of the Bank. Its principal responsibilities include convening Shareholders' general meeting and executing resolutions of general meeting, formulating development strategy and medium and long term development plans and monitoring the implementation of strategies, determining operational plans and investment programs, examining and approving capital management plans, formulating annual financial budget plans, final accounting plans, risk capital allocation plans, profit distribution plans and loss recovery plans, etc.

For detailed information on the responsibility of the Board of Directors of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(III) Board Meetings and the Work of the Board

During the Reporting Period, the Board of Directors of the Bank closely followed the guidance of regulatory policies, made scientific and prudent decisions on major issues across the Bank; gave full play to the leading role of strategy to promote innovation, transformation and development of the Bank; continued to explore capital replenishment channels to strengthen capital management capabilities; strengthened the efficiency of audit supervision, improved the effectiveness of risk management and internal control; enhanced the assessment and supervision of senior management members, and further improved the incentive and restraint mechanism; carried out information disclosure in accordance with laws and regulations, actively fulfilled social responsibilities, and effectively safeguarded the legitimate rights and interests of investors and other stakeholders; constantly strengthened self-construction and improved the standard of standardized operation. During the Reporting Period, the Board of Directors of the Bank convened 14 meetings, at which 75 proposals were considered, and 15 reports were reviewed and listened to. The Board of Directors considered the annual final accounts report, annual budget report, annual profit distribution plan, annual group performance evaluation indicators, amendments to the Articles of Association, revision of the Fourth "Five-Year Plan" values, general mandate to issue Domestic Shares and/or H Shares, adjustment of branch and sub-branch construction plan, disposal of assets, loan reduction and exemption authorization plan, major related party transactions, external donations, engagement of external auditors, change of Directors, adjustment of members of special committees under the Board of Directors, appraisal results of Directors and mutual evaluation of independent Directors, assessment and evaluation of senior management members, deferred payment and reclaiming of performance remuneration, 2021-2025 internal audit work plan, annual report, interim report, social responsibility report, work report of senior management, report on comprehensive risk management, report on liability quality management, assessment report on the quality and qualification of substantial and major shareholders, assessment report on internal capital adequacy, work report on green finance, work report on consumer rights protection, consumer rights protection regulatory evaluation and rectification reports; and revised the terms of reference of the Nomination and Remuneration Committee, the internal audit charter and the management measures for consumer rights protection, and formulated basic systems such as management measures for external donations, management measures for recovery and disposal plans, and management measures for risk consolidation. The Board of Directors also debriefed 15 reports including the report on related party transactions and management of related party transactions, the internal control evaluation report and auditor's statement, the report on audit work of the Audit and Consumer Rights Protection Committee of the Board of Directors and internal audit work report, the working plans of the Board of Directors and its special committees, self-assessment report on data governance, development plan for inclusive finance business, report on the Bank's regulatory situations of the National Joint-Stock Commercial Bank Supervision Department of CBIRC, the Bank's rectification report and the report on consumer complaints.

(IV) Particulars of Directors' Attendances at Meetings

During the Reporting Period, the particulars of Directors of the Bank attending meetings of the Board of Directors and general meetings are as follows:

Name	Board of Directors ⁽¹⁾				General meetings ⁽²⁾
	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences	
LI Fuan	14	13	1	–	1/1
FUNG Joi Lun Alan	14	14	–	–	1/1
YUAN Wei	14	14	–	–	1/1
YE Baishou	14	11	3	–	1/1
HU Aimin	14	14	–	–	1/1
ZHANG Yunji	14	12	2	–	0/1
QU Hongzhi	14	13	1	–	1/1
DU Gang	14	13	1	–	1/1
ZHAO Zhihong	7	7	–	–	0/0
MAO Zhenhua	14	11	3	–	0/1
CHI Guotai	14	14	–	–	1/1
MU Binrui	14	14	–	–	1/1
TSE Yat Hong	14	14	–	–	1/1
ZHU Ning	14	14	–	–	0/1
SHUM Siu Hung Patrick	2	2	–	–	0/0
WANG Zhiyong	4	2	2	–	0/0
CUI Xuesong	2	2	–	–	0/0
ZHANG Xifang	4	4	–	–	0/0
LI Yi	2	–	2	–	0/0
WANG Ren	12	11	1	–	1/1

- Notes: (1) During the Reporting Period, the Board of Directors of the Bank convened 14 meetings in total, including 9 on-site meetings and 5 off-site meetings.
- (2) Represented as "Number of attendances at/number of the general meetings during the tenure".
- (3) During the Reporting Period, for the details of the changes in Directors of the Bank, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report.

(V) Independent Opinion Mechanism, Independence and Work of Independent Non-Executive Directors

According to the Articles of Association of the Bank, the Board of Directors consists of eighteen Directors, including four executive Directors and six independent non-executive Directors. The structure of the Board of Directors is scientific and balanced, and non-executive Directors (including independent non-executive Directors) account for the majority to ensure that the Board of Directors can fully obtain independent views and opinions, and independently and effectively perform decision-making functions. In order to ensure that independent non-executive Directors can effectively exercise their functions and powers, the Bank shall provide independent non-executive Directors with the following necessary working conditions: (1) The Bank shall ensure that independent non-executive Directors enjoy the same right to know as other Directors. For matters that must be decided by the Board of Directors, the Bank must notify independent non-executive Directors in advance according to the statutory time and provide them with sufficient information. Independent non-executive Directors may request supplementary information if they consider the information insufficient. When two or more independent non-executive Directors believe that the information is insufficient or the argumentation is not clear, they may jointly propose to the Board of Directors in writing to postpone the meeting of the Board of Directors or postpone the deliberation of the matter, and the Board of Directors shall adopt such proposal; (2) The Bank shall provide the necessary working conditions for independent non-executive Directors to perform their duties. The secretary to the Board of Directors shall actively provide assistance to independent non-executive Directors in performing their duties, such as introducing the situations and providing materials. If independent opinions, proposals and written explanations issued by independent non-executive Directors should be announced, the secretary to the Board of Directors shall handle the matter in relation to the announcement in a timely manner; (3) When independent non-executive Directors exercise their functions and powers, relevant personnel of the Bank shall actively cooperate and shall not refuse, hinder or conceal them, and shall not interfere with their independent exercise of functions and powers; (4) The cost of engaging an intermediary agency and other reasonable expenses required for the exercise of duties by independent non-executive Directors shall be borne by the Bank; (5) The Bank shall offer appropriate allowances to independent non-executive Directors. Standards for allowances shall be formulated by the Board of Directors and reviewed and approved by the shareholders' general meeting. In addition to the above-mentioned allowances, independent non-executive Directors shall not obtain other additional and undisclosed benefits from the Bank, its major shareholders, or interested institutions and personnel.

The Evaluation Methods on Directors' Performance of the Bank stipulates that the Bank shall annually evaluate the performance of Directors, mainly based on five dimensions including fulfilling the duty of loyalty, fulfilling the duty of diligence, professionalism in performance of duties, independence and morality in performance of duties, and compliance with regulations in performance of duties. The evaluation of the duty performance of independent non-executive Directors shall also include the followings: (1) Should not be influenced by major shareholders, members of senior management, and other units and individuals with interests in the Bank, and should pay attention to safeguarding the legitimate rights and interests of small and medium shareholders and other stakeholders; (2) Express objective, impartial and independent opinions on matters discussed at the shareholders' general meeting or the Board meeting; (3) Other matters stipulated by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

For detailed information on the Bank's requirements for independent non-executive Directors, please refer to the Articles of Association of the Bank published on the websites of the HKEX and the Bank.

As of the end of the Reporting Period, there were a total of six independent non-executive Directors in the Board of Directors of the Bank, the number of which was not less than one third of the total members of the Board. And the qualifications, number and proportion of independent non-executive Directors met the regulatory requirements. None of the independent non-executive Directors of the Bank was involved in a situation where the independence described in Rule 3.13 of the Listing Rules might be challenged. The Bank has received annual confirmations signed by each of the independent non-executive Directors in respect of their independence, confirming that each independent non-executive Director complied with the independence requirements of the Listing Rules.

During the Reporting Period, all independent non-executive Directors kept in mind their responsibilities under the laws and regulations and the Articles of Association of the Bank, fulfilled their due duty of integrity and diligence for the Bank and all its shareholders, with an objective and prudent attitude, a clear and keen perspective and a long-term view of the overall situation, and performed their duties independently under the principle of fairness, impartiality and openness. Independent non-executive Directors actively attended the Board meetings and special committee meetings and independent non-executive Directors who serve as the chairman of the special committees under the Board of Directors presided over special committee meetings and led the special committee in conducting in-depth studies and provide professional advice on matters of concern to the Board of Directors, effectively playing the role of auxiliary decision-making and providing a strong guarantee for the efficient operation and scientific decision-making of the Board of Directors. Independent non-executive Directors are independent, thoughtful, objective and impartial in expressing their independent opinions on the profit distribution, the engagement of external auditors, the major related party transactions, the disposal of assets, the election of Directors, the remuneration of senior management members and other matters of the Bank.

In accordance with the Working Rules for Independent Directors on the Annual Report of the Bank, the independent non-executive Directors reviewed the audit plans of the annual financial report of the Bank and listened to the external auditor's report on audit work of the annual report of the Bank, carefully reviewed the annual financial statements and notes to be submitted to the Board of Directors and other meetings for deliberation, fully communicated with the external auditors, and expressed their opinions on the annual report independently and objectively at meetings of the Board of Directors, playing the supervisory role of independent non-executive Directors in the preparation, review and disclosure of the annual report.

(VI) Appointment, Re-election and Removal of Directors

According to the Articles of Association of the Bank, Directors shall be elected or replaced by the Shareholders' general meeting. The term of office shall be three years, counting from the date when the resolution of the Shareholders' general meeting is passed. Their qualifications for holding office shall be approved by regulatory bodies, and they shall not perform their duties before obtaining the qualifications. Directors may be re-elected upon expiration of their term of office. The cumulative tenure of an independent non-executive Director in the Bank shall not exceed six years.

Subject to the provisions of the relevant laws and regulations, the Shareholders' general meeting may remove any Director whose term of office has not expired by ordinary resolution (without prejudice to any claims which may be made by such Director under any contract).

(VII) Directors' Responsibility for the Preparation of Financial Statements

The Directors of the Bank acknowledge their responsibility to prepare the financial statements of the Bank for the year ended December 31, 2022. To the knowledge of the Directors, there is no major unclear event or circumstance which would significantly affect the continuous operating ability of the Bank.

(VIII) Special Committees under the Board of Directors

The Bank's Board of Directors has set up the Risk Management and Green Finance Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, the Nomination and Remuneration Committee and the Development Strategy and Inclusive Finance Committee. Each special committee provides professional advices to the Board of Directors and makes decisions on special matters according to the authorization of the Board of Directors. During the Reporting Period, special committees under the Board of Directors convened 29 meetings in total, at which 70 resolutions were considered and 10 reports were heard, details of which are as follows:

1. *Risk Management and Green Finance Committee of the Board of Directors*

(1) Personnel composition

As of the end of the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MU Binrui, Mr. CHI Guotai and Mr. TSE Yat Hong; non-executive Directors Mr. FUNG Joi Lun Alan and Mr. ZHANG Yunji; executive Director Mr. ZHAO Zhihong, respectively, and was chaired by Mr. MU Binrui.

(2) Main responsibilities

The main responsibilities of the Risk Management and Green Finance Committee of the Board of Directors of the Bank include: setting the basis and method for the level of risk that the Bank can undertake; reviewing risk appetite and risk management policies, systems and basic principles; reviewing the disposal of assets and provision of external guarantees that are not within the scope of business operations; supervising the senior management's control over risks, regularly debriefing the senior management's report on risks and risk management status, timely putting forward opinions on risk management and internal control, reporting to the Board of Directors when necessary, and informing the senior management and the Board of Supervisors; where necessary, debriefing senior management's reports on compliance with relevant laws and regulations, regulatory requirements, policies of the Bank, rules and regulations, anti-money laundering arrangements and self-inspection results; researching and formulating green finance strategy; debriefing the senior management's report on implementation of the green finance strategy, supervising and evaluating the implementation of the green finance strategy; reporting to the Board of Directors on the implementation of the green finance strategy and submitting comments and recommendations; authorizing the affiliated Related Party Transactions Control Committee to exercise relevant functions and powers over related party transactions control and performing other duties as assigned by the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank held eight meetings in total and reviewed 20 proposals. The Risk Management and Green Finance Committee of the Board of Directors reviewed the report on comprehensive risk management of the Bank, summary of prevention and control work on non-compliance cases, risk assessment report of derivatives trading business, assessment report on internal capital adequacy, report on liability quality management, liquidity risk contingency plan, statement on risk appetite, proposal on recovery plan and disposal plan, country risk rating and quota management scheme, self-assessment report on money laundering and terrorist financing risk, and work report on green finance. It also required the senior management to continuously carry out in-depth management of sources of business risks, comprehensively improve the effectiveness of risk management, better integrate the green financial policies into the development concept of the Bank, formulate reasonable and rigorous business indicators and development goals, and continue to build core competitiveness.

During the Reporting Period, the attendance of the members of the Risk Management and Green Finance Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	8	8	–	–
FUNG Joi Lun Alan	8	8	–	–
ZHANG Yunji	8	7	1	–
ZHAO Zhihong	5	5	–	–
CHI Guotai	8	8	–	–
TSE Yat Hong	7	7	–	–
ZHANG Xifang	2	2	–	–
QU Hongzhi	1	1	–	–
LI Yi	1	–	1	–

- Notes: (1) During the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank convened four off-site meetings.
- (2) As considered and approved by the Board of Directors, Mr. TSE Yat Hong, an independent non-executive Director, replaced Mr. QU Hongzhi, an executive Director, to be a member of the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank, which came into effect from March 29, 2022.
- (3) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

2. *Related Party Transactions Control Committee of the Board of Directors*

(1) Personnel composition

As of the end of the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MU Binrui, Mr. CHI Guotai and Mr. TSE Yat Hong; non-executive Directors Mr. FUNG Joi Lun Alan and Mr. ZHANG Yunji; executive Director Mr. ZHAO Zhihong, respectively, and was chaired by Mr. MU Binrui.

(2) Main responsibilities

The main responsibilities of the Related Party Transactions Control Committee of the Board of Directors of the Bank include: reviewing the administrative measures on related party (connected) transactions, and preparing annual special reports on the implementation of such administrative systems and submitting them to the Board of Directors; reviewing and approving the list of related parties (connected persons), and reporting to the Board of Directors and the Board of Supervisors; examining related party (connected) transactions in accordance with laws and regulations, the provisions of the exchanges on which the Bank's securities are listed and the commercial principles of fairness and impartiality; reviewing the information disclosure matters of related party (connected) transactions and supervising the authenticity, accuracy and integrity of such disclosure; and performing other duties as assigned by the Board of Directors or the Risk Management and Green Finance Committee of the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank held six meetings and reviewed 7 proposals. The Related Party Transactions Control Committee of the Board of Directors attached great importance to the management of related party (connected) transactions, strictly examined matters in relation to material related party transactions, and required the Bank to strengthen the management of major related customer concentration and proactively resolved risks. It also reviewed the report on related party transactions and the management of related party transactions, annual report and interim report, and expressed opinions on the authenticity, accuracy and integrity of information disclosure of related party (connected) transactions.

During the Reporting Period, the attendance of the members of the Related Party Transactions Control Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	6	6	–	–
FUNG Joi Lun Alan	6	6	–	–
ZHANG Yunji	6	5	1	–
ZHAO Zhihong	4	4	–	–
CHI Guotai	6	6	–	–
TSE Yat Hong	4	4	–	–
ZHANG Xifang	2	2	–	–
QU Hongzhi	2	2	–	–
LI Yi	2	2	–	–

- Notes: (1) During the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank convened three off-site meetings.
- (2) As considered and approved by the Board of Directors, Mr. TSE Yat Hong, an independent non-executive Director, replaced Mr. QU Hongzhi, an executive Director, to be a member of the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank, which came into effect from March 29, 2022.
- (3) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

3. *Audit and Consumer Rights Protection Committee of the Board of Directors*

(1) *Personnel composition*

As of the end of the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. TSE Yat Hong, Mr. MU Binrui, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick; non-executive Directors Mr. FUNG Joi Lun Alan and Ms. YUAN Wei, respectively, and was chaired by Mr. TSE Yat Hong. All members of the Audit and Consumer Rights Protection Committee of the Board of Directors are non-executive Directors, and the majority is the independent non-executive Directors, which complies with the Listing Rules and the Articles of Association of the Bank.

(2) Main responsibilities

The main responsibilities of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank include: reviewing internal audit charter and medium- and long-term audit plans, organizing and leading the internal audit work as authorized by the Board of Directors; enabling communication between internal audit and external audit; reviewing and approving the appointment and removal of the head of audit department, and evaluating and supervising the performance of the head of audit department and the audit department; hearing audit department's reports on major audit findings from internal audit, external audit and regulatory audit, and urging senior management to make corrective actions accordingly; examining the financial position, accounting policies and procedures, and financial reporting procedures of the Bank, designating working bodies to conduct independent supervision and inspection on the implementation, and submitting review opinions to the Board of Directors when necessary, and notifying the senior management and the Board of Supervisors at the same time; organizing the annual audit work, designating working bodies to conduct independent review on the financial reports and making judgmental reports on the authenticity, integrity and accuracy of the information set out in the audited financial reports; designating working bodies to conduct independent assessment on the internal control and risk management system, and supervising the implementation and effectiveness of the system; organizing discussions on the internal control system and reporting to the Board of Directors on relevant issues; and making recommendations to the Board of Directors on matters relating to the recruitment, renewal or dismissal of external auditors; formulating strategies, policies and objectives for the protection of consumers' rights and interests, and urging the senior management to effectively carry out relevant work; regularly debriefing special reports on the protection of consumers' rights and interests, supervising and evaluating the comprehensiveness, timeliness and effectiveness of the protection of consumer rights and interests, as well as the performance of senior management; reviewing and making recommendations to the Board on proposals for protection of consumers' rights and interests to be submitted to the Board of Directors for deliberation; and performing other duties as assigned by the Board of Directors and required by laws and regulations.

(3) Meetings and work

During the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank held 8 meetings, reviewed 22 proposals and debriefed 10 reports. The Audit and Consumer Rights Protection Committee of the Board of Directors reviewed the 2021-2025 internal audit work plan and the annual internal audit work plan, and suggested that the Bank should steadily increase its audit work force and further improve its working mechanism. It regularly listened to internal audit work reports, continuously strengthened supervision and guidance over the audit work throughout the bank, gave full play to its supervisory role in the annual audit process, reviewed the 2021 annual financial report and 2022 interim financial report in strict accordance with the relevant rules and regulations of the Bank, designated working bodies to carry out the annual internal control evaluation, reviewed the evaluation report and the auditor's statement, and provided specific opinions in respect of the engagement of external auditors. It reviewed or listened to the Bank's management measures for consumer rights and interests protection, work report on consumer rights and interests protection, supervision and evaluation rectification report on consumer rights and interests protection and report on consumer complaints, and required the management to continue to deepen the construction of the full-process consumer protection system, constantly improve the quality and efficiency of consumer protection work, attach importance to and strengthen various financial services across the bank, thereby improving service standards and social benefits.

During the Reporting Period, the attendance of the members of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
TSE Yat Hong	8	8	–	–
FUNG Joi Lun Alan	8	8	–	–
YUAN Wei	8	8	–	–
MU Binrui	8	8	–	–
ZHU Ning	8	8	–	–
SHUM Siu Hung Patrick	1	1	–	–
CUI Xuesong	3	2	1	–
WANG Ren	7	7	–	–

Notes: (1) During the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank convened two off-site meetings.

(2) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

(4) [Audit and Consumer Rights Protection Committee of the Board reviewed the annual financial report for 2022](#)

The Audit and Consumer Rights Protection Committee of the Board of the Bank performed the following duties during the review of the 2022 Annual Report in accordance with the relevant policies of the Bank: at the on-site auditing stage of the accountants for annual audit, the 20th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on December 26, 2022, at which, the committee listened to the work report of the external auditor for annual audit on the annual financial report for 2022, in particular, the scope of audit, cycle and timetable, team structure, communication mechanism, the overall audit strategy, key audit matters and other audit focuses, and pre-audit work situation, and put forward advices and requests. In the process of auditing, the committee strengthened the communication with the accountants for annual audit. After the preliminary audit opinions were issued by the accountants for annual audit, the 21st meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 28, 2023, at which, the committee reviewed the Bank’s financial statements and the audit report for 2022, listened to the external auditor’s report on the Bank’s annual audit work for 2022, and put forward advices to ensure the integrity, transparency and consistency of financial disclosure. Before holding the annual meeting of the Board, the 22nd meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 28, 2023, at which, the committee considered and approved the Bank’s annual financial report for 2022, and agreed to submit it to the Board of the Bank for consideration.

4. *Nomination and Remuneration Committee of the Board of Directors*

(1) Personnel composition

As of the end of the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick; executive Director Mr. LI Fuan; non-executive Director Mr. HU Aimin, respectively, and was chaired by Mr. MAO Zhenhua. The Nomination and Remuneration Committee of the Board of Directors was composed of independent non-executive Directors in majority, which complied with the Listing Rules and the Articles of Association of the Bank.

(2) Main responsibilities

The main responsibilities of the Nomination and Remuneration Committee of the Board of Directors of the Bank include: reviewing procedures and standards for the election and appointment of Directors and senior management members, and submitting comments and recommendations to the Board for its consideration; nominating members of the Board of Directors and senior management, preliminarily examining the qualifications and conditions of Directors and senior management members, and making recommendations to the Board of Directors; reviewing the evaluation criteria and evaluation reports of Directors and senior management members, as well as the mutual evaluation reports of independent Directors; examining remuneration packages for Directors, senior management members and other personnel in key positions, making suggestions and recommendations on the establishment of a formal and transparent procedure for developing remuneration policies, and submitting them to the Board for consideration; reviewing and approving matters in relation to the Bank's share scheme under Chapter 17 of the Listing Rules; reviewing employee remuneration management policies and retirement policies; reviewing business performance assessment indicators and performance assessment policies; and performing other duties as authorized by the Board of Directors and required by laws and regulations.

In nominating Directors to the Board of Directors, the Nomination and Remuneration Committee of the Board of Directors of the Bank will take into consideration, including but not limited to, the following:

- relevant provisions of the Company Law, Commercial Banking Law, the Code of Corporate Governance of Banking and Insurance Institutions (《銀行保險機構公司治理準則》), Measures for the Administration of the Office-holding Qualifications of the Directors (Council Members) and Senior Managers of Banking Financial Institutions, Implementation Measures on Administrative Licensing Items on Chinese-Funded Commercial Banks, Listing Rules and other laws and regulations;
- relevant provisions of the Articles of Association of the Bank and the Terms of Reference of the Nomination and Remuneration Committee of the Board of Directors and other internal governance documents;
- the actual work of the Bank;
- the Board Diversity Policy of the Bank, including but not limited to, gender, age, cultural and educational background, race, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time required to be a Director;
- the factors set out in Rule 3.13 of the Listing Rules that may affect the independence of an independent non-executive Director candidate; and
- any other factors which the Nomination and Remuneration Committee of the Board of Directors may deem relevant and applicable from time to time.

The Nomination and Remuneration Committee of the Board of Directors of the Bank shall nominate and review the qualifications and conditions for the appointment of Directors in accordance with the Articles of Association and the procedures and standards for the appointment of Directors and make recommendations to the Board of Directors on the nomination of such persons after identifying the suitably qualified person to serve as Director.

(3) Meetings and work

During the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank held a total of four meetings and deliberated 14 proposals. The Nomination and Remuneration Committee of the Board of Directors organized and carried out annual Director evaluation, mutual evaluation of independent Directors and senior management evaluation. It deliberated the annual group performance assessment indicators for 2022, performance assessment contract of the chairman of the Board for 2022, the remuneration of senior managers for 2021, the formulation of assessment indicators for professional managers for 2022 and other proposals. It also reviewed the qualifications and conditions of the Directors to be appointed and provided clear advice to the Board.

During the Reporting Period, the attendance of the members of the Nomination and Remuneration Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MAO Zhenhua	4	4	–	–
LI Fuan	4	4	–	–
HU Aimin	4	4	–	–
CHI Guotai	4	4	–	–
ZHU Ning	4	4	–	–
SHUM Siu Hung Patrick	1	1	–	–
WANG Zhiyong	2	2	–	–
WANG Ren	3	3	–	–

Notes: (1) During the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank convened 4 off-site meetings.

(2) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

5. Development Strategy and Inclusive Finance Committee of the Board of Directors

(1) Personnel composition

As of the end of the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank consisted of six members, being executive Directors Mr. LI Fuan, Mr. QU Hongzhi and Mr. DU Gang; non-executive Directors Mr. FUNG Joi Lun Alan, Ms. YUAN Wei and Mr. YE Baishou, respectively, and was chaired by Mr. LI Fuan.

(2) Main responsibilities

The main responsibilities of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank include: reviewing business development strategies and medium and long-term development plans; assessing development strategies on a regular basis; reviewing proposals for material changes in shareholding, financial reorganization, merger, division and dissolution; reviewing proposals for capital management planning, listing or other fund raising arrangements, use of proceeds, increase or reduction of registered capital and share repurchase; reviewing plans for annual financial budget, final accounts, risk capital allocation, profit distribution and recovery of losses and other financial plans that materially affect our business operations and development, as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing annual operational and investment plans as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing risk management policies, capital management policies and other management policies that have a significant impact on the business operations and development of the Bank, as well as giving opinions or making recommendations as to whether they are in line with our development strategies; researching our proposals for external investments that are outside the ordinary course of business and other issues that may materially affect our development, as well as making relevant recommendations; formulating plans for the development of inclusive finance business, designing basic management policy and supervising its implementation; and performing other responsibilities as authorized by the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank convened a total of three meetings, at which seven proposals were considered. The Development Strategy and Inclusive Finance Committee of the Board of Directors reviewed the Bank's annual final accounts report, annual budget report, annual profit distribution plan, annual investment plan, adjustment of branch and sub-branch construction plan, revision of the Fourth "Five-Year Plan" values, inclusive financial business development plan and other proposals, and offered professional opinions on relevant matters for the reference in decision-making of Board of Directors.

During the Reporting Period, the attendance of the members of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
LI Fuan	3	3	–	–
FUNG Joi Lun Alan	3	3	–	–
YUAN Wei	3	3	–	–
YE Baishou	3	3	–	–
QU Hongzhi	3	3	–	–
DU Gang	3	3	–	–
CUI Xuesong	1	1	–	–

Notes: (1) During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank convened 3 off-site meetings.

(2) Please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report for the changes in the Directors of the Bank during the Reporting Period.

(IX) Corporate Governance Functions

The Board of Directors of the Bank is responsible for performing its corporate governance functions set out in Appendix 14 of the Listing Rules, including: developing and reviewing the corporate governance policies and practices; reviewing and monitoring the training and continuous professional development of directors and senior management members; reviewing and monitoring the Bank's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring codes of conduct and compliance manuals for employees and directors; and reviewing the Bank's compliance with the Corporate Governance Code and the disclosure of corporate governance information in the annual report.

IV. BOARD OF SUPERVISORS

(I) Members of the Board of Supervisors

As of the end of the Reporting Period, the fifth session of the Board of Supervisors of the Bank consisted of five Supervisors, including three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris, and two employees' representative Supervisors: Mr. WANG Chunfeng and Mr. MA Shuming.

(II) The Responsibility of the Board of Supervisors

The Board of Supervisors is the Bank's internal supervisory organization. It is accountable to the Shareholders' general meeting and targets on protecting the legal rights of the Bank, the Shareholders, employees, creditors and other stakeholders. Its major functions and powers include supervising the Board of Directors to establish sound business philosophy, value standards and formulate development strategies in line with the Bank's actual situation; regularly evaluating the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors, to generate an evaluation report; inspecting and supervising the Bank's financial activities, operating decisions, internal control and risk management and pushing forward relevant rectifications; supervising the election and appointment process of Directors; supervising the violation of laws and regulations or the Articles of Association of the Bank by the Directors and senior management members when performing their duties, and comprehensively evaluating the performance of the Directors, Supervisors and senior management members, etc.

(III) Work of External Supervisors

As of the end of the Reporting Period, there are three external Supervisors in the Board of Supervisors of the Bank, the number of which is not less than one-third of the total number of members of the Board of Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws and regulations, regulatory requirements and the provisions of the Bank's Articles of Association, performed their duties diligently, and actively protected the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders. They attended all the meetings of the Board of Supervisors that they should attend during the Reporting Period, complying with regulatory requirements in terms of in-person attendance rate, actively spoke at the meetings and provided professional advice and suggestions to the Board of Directors and senior management on issues such as improving risk management, internal control and compliance management and related party transactions management; presided over and convened 4 meetings of the Nomination Committee of the Board of Supervisors and 2 meetings of the Supervisory Committee of the Board of Supervisors to reach consensus for submission to the Board of Supervisors; attended 3 Shareholders' general meetings, all on-site meetings of the Board of Directors and various special committees during the Reporting Period to conduct on-site supervision on the effective operation of the Board of Directors and various special committees and the speeches of Directors at the meetings, and reviewed documents of off-site meetings. During the adjournment period, they paid close attention to the Bank's business development, and reviewed 87 information reports including the Bank's monthly financial statements, information bulletin, regulatory information, minutes of the president's office meetings, minutes of special meetings conducted by the president, and internal control compliance risk alerts. All external Supervisors actively participated in training, held discussions with branches, attended special meetings for Supervisors, listened to special reports on the Bank's preventive measures for concentration risk, liquidity risk and reputation risk, and advised senior management on relevant risks and management recommendations.

V. TRAINING AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS

The Bank attaches great importance to the Directors' professional capacity building and creates favorable conditions for Directors to improve their ability to perform duties. During the Reporting Period, we organized Directors to participate in special training on various topics, such as the latest development of equity management and corporate governance of commercial banks, interpretation of regulatory policies for the protection of financial consumers' rights and interests and integrity education, as well as the standardized construction of the board of directors. The members of the Board of Directors, including Mr. LI Fuan, Mr. FUNG Joi Lun Alan, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin, Mr. ZHANG Yunji, Mr. QU Hongzhi, Mr. DU Gang, Mr. ZHAO Zhihong, Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick have taken an active part in the training programs of the Bank and external organizations, carefully studied all kinds of information and materials delivered by the Bank related to regulatory policies, industry development, corporate governance and operation management information of the Bank, caught up with the latest regulatory trends and the development status of the Bank, and kept the theoretical level and practical ability current.

The Board of Supervisors of the Bank emphasizes training. During the Reporting Period, all Supervisors were organized to participate in the training on "Introduction to the Latest Development of Equity Management and Corporate Governance of Commercial Banks", watch the special training on "Interpretation of Regulatory Policies for the Protection of Financial Consumers' Rights and Interests and Integrity Education", and learn the "2022 Anti-Money Laundering Handbook", the "Interpretation of the Institutional System and Key Contents of the Protection of Financial Consumers' Rights and Interests", "Special Training on Anti-Money Laundering", "Internal Control Audit of Banks" and other special training for Supervisors on their own, so as to improve the ability of Supervisors to perform their duties. During the Reporting Period, Supervisors of the Bank overcame the impact of the epidemic and successively went to 8 branches and sub-branches to guide the work, conducted online research and discussion with the branches to conduct in-depth exchanges on issues such as promoting the implementation of the Fourth "Five-Year Plan" strategies of the Head Office, strengthening anti-money laundering and employee behavior management, and put forward opinions and suggestions on the implementation of rectification of issues raised by on-site inspections carried out by the regulatory agencies, improvement of the level of consumer rights protection, as well as quality and efficiency of internal control and compliance management.

VI. SENIOR MANAGEMENT

Senior management conducts operational and management activities in accordance with the Articles of Association of the Bank and the authority of the Board of Directors to ensure that the Bank's operations are consistent with the development strategies, risk appetite and other policies approved by the Board of Directors. Senior management is accountable to the Board of Directors and accepts the supervision from the Board of Supervisors. Senior management shall not be interfered with in the operation management activities within the scope of its functions and powers in accordance with the law.

The president shall exercise his/her functions and powers in accordance with the relevant laws and regulations and the Articles of Association of the Bank. The vice presidents and other senior management members shall assist the president in his/her work and perform their duties in accordance with the relevant authorizations.

For details of the responsibilities of the senior management of the Bank, please refer to the Articles of Association published on the websites of the HKEX and the Bank.

(I) Composition and Basic Information of Senior Management

As of the end of the Reporting Period, the senior management of the Bank consisted of five members, including: the president: Mr. QU Hongzhi, the vice presidents: Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao. During the Reporting Period, among these five members of senior management, three persons received less than RMB2 million and two persons received more than RMB2 million for the total amount of pre-tax remuneration from the Bank. For detailed information about the remuneration and other basic information of members of senior management, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" of this annual report.

During the Reporting Period, under the leadership of the party committee of the Head Office and the Board of Directors and in adherence to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the senior management of the Bank calmly responded to unprecedented and ensuing difficulties and challenges, and insisted on the general tone of stability and seeking progress while maintaining stability, leading the Bank as a whole to work hard, be proactive, go all out to overcome the difficulties and challenges on the way forward, and maintain the development and operation within a reasonable range. Remarkable results have also been achieved in key tasks related to making up for shortcomings, laying the foundation, promoting transformation, and benefiting the long-term. During the Reporting Period, the senior management of the Bank, in accordance with relevant laws, regulations, the Articles of Association and the Work Rules for Senior Management (《高級管理層工作規則》) of the Bank, conscientiously performed their duties, and worked hard to improve the level of operation and management. A total of 6 bank-wide comprehensive meetings, 33 office meetings of the president and 27 special meetings of the president were held during the whole year.

(II) Performance Assessment and Incentive and Restraint Mechanism of Senior Management Members

During the Reporting Period, the Board of Directors of the Bank has conscientiously implemented the resolutions of the Shareholders' general meeting and conducted performance appraisal for senior management members in accordance with the Performance Assessment Methods for Senior Management Personnel (《高級管理人員績效考核辦法》) and the Performance Assessment Methods for Professional Managers (《職業經理人業績考核管理辦法》). The Board of Directors deliberated and approved the Group's performance assessment criteria of the Bank for 2022, the performance assessment of senior management members closely combined with the Group's performance criteria, as well as the work duty distributed, which further strengthened the incentives and constraints on senior management members.

VII. CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Articles of Association of the Bank stipulates that the positions of the chairman and the president of the Bank shall be separated. Mr. LI Fuan, the chairman of the Board of Directors, is mainly responsible for the overall work of the party committee and the Board of Directors of the Bank. Mr. QU Hongzhi, the president of the Bank, is mainly responsible for the operation and management of the Bank. The duties of the chairman and the president are clearly defined and comply with the requirements of the Listing Rules.

VIII. COMPANY SECRETARY

Mr. DU Gang and Ms. SO Shuk Yi Betty of SWCS Corporate Services Group (Hong Kong) Limited serve as joint company secretaries of the Bank. Mr. DU Gang is the main contact person of Ms. SO Shuk Yi Betty in the Bank.

During the Reporting Period, both Mr. DU Gang and Ms. SO Shuk Yi Betty have complied with the relevant requirements of Rule 3.29 of the Listing Rules and have attended the relevant professional training for no less than 15 hours.

IX. RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

X. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by the Directors and Supervisors of the Bank. Upon specific enquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

XI. CONTRACTED INTERESTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

To the knowledge of the Bank, the Directors and Supervisors of the Bank have no material interest, directly or indirectly, in any material transactions, arrangements or contracts entered into by the Bank during the Reporting Period. The Directors and Supervisors of the Bank did not enter into any service contract with the Bank which is liable to indemnity (other than statutory indemnity) in the event of termination of the contract by the Bank within one year.

XII. INFORMATION DISCLOSURE

The Bank attaches great importance to information disclosure, strictly complies with the information disclosure regulations and the requirements of the Listing Rules, adheres to the principles of truthfulness, accuracy, completeness, timeliness and fairness, fulfills the obligation of information disclosure, and protects investors' right to know. During the Reporting Period, the Bank completed the preparation and disclosure of Annual Report 2021 and Interim Report 2022 within the specified time limit, and timely disclosed the temporary announcements in accordance with regulatory provisions. It continued to strengthen the initiative and pertinence of information disclosure with a focus on the concerns of investors, so as to provide reference for investors to timely understand the operation, management, transformation and development achievements of the Bank. In 2022, more than 60 information disclosure documents, including periodic reports and temporary announcements, were published on the websites of the HKEX and the Bank.

The Bank carried out inside information management in strict accordance with the regulatory requirements of the place where the securities were listed. Through establishing and optimizing the internal information reporting mechanism, the Bank defined the information reporting route, and ensured the timely, compliant and effective transmission of material information among corporate governance entities. In case of "inside information" as referred to in the SFO, the Bank can timely deal with and release inside information in accordance with the Guidelines on Disclosure of Inside Information issued by the SFC and other relevant regulatory requirements, and strictly keep confidential relevant information before disclosure. During the Reporting Period, the Bank strengthened compliance publicity and education and enhanced the compliance awareness of insiders by organizing staff to study the latest regulatory requirements, timely releasing the confidentiality notice and the notice on prohibiting securities trading, effectively preventing insider dealing risk.

XIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the Code of Corporate Governance of Banking and Insurance Institutions, the Provisional Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions and other relevant laws, regulations and regulatory documents issued by the CBIRC, and based on the actual condition of the Bank, the Bank has made amendments to the Articles of Association, which have been considered and approved at the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 and will become effective upon approval by the banking regulators. For details, please refer to the relevant announcements and circulars published by the Bank on the websites of the HKEX and the Bank.

XIV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the code provisions set out in Part 2 of Appendix 14 to the Listing Rules. Pursuant to code provision B.2.2, every director (including those appointed for a specific term) should be subject to retirement by rotation at least once every three years. The term of the fifth session of the Board of Directors of the Bank expired on December 15, 2022. Given that the re-election of the Board of Directors is still in preparation, the re-election of the Board of Directors has been postponed in order to maintain the continuity of the relevant work of the Bank. The Bank will publish announcements and circulars containing details of candidates for the new session of the Board of Directors as soon as practicable. Save and except for disclosed above, the Bank has complied with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the Code.

XV. APPOINTMENT OF AUDITORS

The Bank has engaged KPMG and KPMG Huazhen LLP (collectively referred to as “KPMG”) as auditors for the Bank’s 2022 annual financial report prepared in accordance with the IFRS and the China Accounting Standards for Business Enterprises. We have not changed auditors for the past three years.

During the Reporting Period, the audit service fees for the Group’s financial report (including the financial report audit of its subsidiary and overseas branch) totaled RMB6.2428 million, and the non-audit service fees was RMB700,000.

Pursuant to the requirements of the Administrative Measures for State-owned Financial Enterprises to Select and Engage Accounting Firms (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6 號)) issued by the Ministry of Finance of the People’s Republic of China, and considering that KPMG Huazhen LLP and KPMG will have served the Bank for eight years upon completion of their auditing service for the year of 2022 since they were appointed as the respective domestic and overseas auditor of the Bank in 2015 and 2020, respectively, the Bank has reached an agreement with KPMG that it will not re-appoint KPMG as the auditor of the Bank at the 2022 annual general meeting of the Bank.

As recommended by the Audit and Consumer Rights Protection Committee of the Board, the Board proposed to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the respective domestic and overseas auditor of the Bank for the year of 2023. The term of engagement shall commence upon the conclusion of the 2022 annual general meeting of the Bank until the conclusion of the 2023 annual general meeting of the Bank. Such proposal shall be submitted to the general meeting of the Bank for consideration and approval.

XVI. INTERNAL CONTROL

The Board of Directors of the Bank is responsible for ensuring the establishment and implementation of an adequate and effective risk management system, and ensuring the Bank’s prudent operation under the framework of laws and policies. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management in improving the risk management and internal control system and supervising the performance of risk management responsibilities by the Board of Directors, the senior management and their members. The senior management is responsible for implementing the resolutions of the Board and ensuring effective performance of risk management responsibilities.

The Board of Directors is responsible for risk management and internal control system, and is responsible for reviewing the effectiveness of relevant systems. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, so the Board of Directors can only provide reasonable but not absolute guarantees to avoid material misrepresentation or loss.

The Bank has established a risk prevention system consisting of three lines of defense against each major risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which assume direct responsibilities for the risk management; the second line of defense of relevant risk management is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, General Office (Public Relations Department) and Strategic Development and Investment Management Office, which take the lead in formulating policies and procedures, monitoring and managing risks; the third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of our business departments and risk management departments.

The Bank closely monitors various risks through risk appetite, risk limits, risk management information systems and a series of risk management policies and measures to respond in a timely manner, especially major risks related to daily operation, including credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk in the banking book, reputational risk, strategic risk and information technology risk. The Bank focuses on the formulation of rules, policies and implementation of measures related to major risks to optimize the effectiveness and efficiency of risk identification, analysis, assessment and mitigation. For various risks and risk events, the Bank has formulated clear communication and reporting procedures to ensure orderly and efficient risk management. The Board of Directors of the Bank regularly evaluates the effectiveness of the Bank's risk management system. During the Reporting Period, the Bank's risk management system was sound and effective. Please refer to "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report for the details of the Bank's risk management system.

The Bank has established a "four-in-one" internal control organization system consisting of process execution, functional management, second-line supervision and internal audit. The Bank adheres to the principle of "comprehensive, whole-process, and whole-workforce" in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliant and orderly management and steady development of all operations.

During the Reporting Period, the Bank improved the long-term mechanism of internal control and compliance management, optimized the internal control and compliance management structure; strengthened assessment and incentives to improve the accuracy and effectiveness of internal control and compliance management assessment; carried out activities relating to "self examination and rectification, reflection and correction by all staff" to rationalize job responsibilities, specify red lines and bottom lines, and lay a solid foundation for compliance; convened the compliance warning education conference, continuously compiled and issued the Internal Control Compliance Risk Alerts (《內控合規風險提示》), and carried out various forms of internal control compliance training to continuously improve employees' compliance awareness and cultivate a compliance culture; coordinated on-site inspections across the bank to realize the organic linkage of on-site inspection planning, execution and supervision; carried out special evaluation work and conducted walk-through tests and evaluations of the business system, responsibilities, processes and system rectification and improvement status; carried out off-site monitoring to improve the digital and intelligent level of internal control and compliance management. The construction of the "Intelligent Big Compliance" system achieved results.

The Bank has established an independent and vertical internal audit system, which independently performs audit functions as a working body under the Audit and Consumer Rights Protection Committee of the Board of Directors and the Board of Supervisors. The organizational structure of the audit department of the Head Office and the regional audit centers has been established. As the second-level department of the audit department of the Head Office and the regional audit agencies, the audit centers are accountable to and report to the audit department of the Head Office. The Bank adopted risk-oriented audit strategies and audit methods. On the basis of risk assessment, the Bank arranged audit plans and audit frequency according to regulatory requirements, risk degree and importance principles, and actively performed the supervision role of audit on key businesses and major risk areas within the scope of duties.

During the Reporting Period, the Bank continued to improve various internal audit policies and procedures, constantly enhanced internal audit capability and technological level, and adopted risk-oriented audit strategies and methods. The Bank carried out various audit works, performed audit supervision duties, and promoted the continuous improvement of the Bank's internal control and risk management.

During the Reporting Period, the Board of Directors of the Bank conducted an annual review on the Bank's risk management and internal control system for 2022, and no material defects have been found while individual implementation at the grassroots level needs to be strengthened. The Board of Directors considered that the Bank's risk management and internal control system was generally adequate and effective.

XVII. INTERNAL AUDIT

During the Reporting Period, the Bank actively expanded the breadth and depth of internal audit supervision, increased audit efforts on high-risk businesses and institutions, and focused on the asset quality and the whole process of operation and management of credit extension, and concentrated on the key tasks and business areas in operation and management. Focusing on the Bank's central tasks, it carried out 58 special audits, regular audits and specific regulatory audits in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, and completed exit audits in a timely manner according to the Bank's actual situation, revealed the control deficiencies in various risk management of the Bank, including credit risk, compliance risk, market risk, operational risk and information technology risk, continuously promoted the rectification of the problems identified in the audits, fully performed the audit duties and constantly promoted the continuous improvement of the internal control and risk management system of the whole bank.

XVIII. CORPORATE CULTURE

During the Reporting Period, the Bank continued to promote the construction of corporate culture on a systematic basis. The Bank further diversify the scope of its core corporate values by incorporating "Compliance is Lifeblood" into its core values. "Compliance is Lifeblood" is the core and bottom line for the realization of values, the lifeline of the Bank, and the foundation for all business operations. The Bank requires employees at all levels to firmly establish the awareness of strict compliance with rules. All employees must take the initiative to comply with the regulations, and put the survival rules of gaining customers in the long run into practice. The Bank carried out various forms of internal control compliance training, such as organizing warning and education meetings, making featured films about warning and education, and publishing Internal Control Compliance Risk Alerts on an ongoing basis, in order to continuously strengthen the construction of compliance culture. Based on the strategic requirements of high-quality transformation and development, the Bank has improved the corporate culture system and formed a corporate culture and value system composed of different levels including "leadership by party building", "long-term planning", "core values", "brand connotation", "philosophy system" and "code of conduct". The Bank incorporated corporate values into the all-rounded evaluation of employees to encourage employees to actively and consciously put corporate culture into practice. The Bank constructed the cultural constraint and incentive system, planned various specific tasks accordingly, and arranged time and progress plans. In addition, the Bank designed posters for the publicity of core values, and started to prepare a new version of the corporate culture manual. The Bank further strengthened the operation and maintenance management of the internal barrier-free communication platform "Dolphin Voice". Relying on its "Bohai Bank News", "Bohai Bank Party Construction" WeChat official account and internal website, elevator videos and other media and platforms, the Bank further carried out corporate culture promotion to consistently and unremittingly promote the practice of corporate culture across the bank. In terms of brand building, the Bank continued to emphasize the brand proposition of "once chosen, lifelong companionship" in the corporate culture and value system. Focusing on the vision of becoming a "modern wealth and treasury manager offering the best experience", the Bank strived to build a product brand system composed of "Bozai" (渤仔), "Borui" (渤锐), "Boda" (渤达) and "Botai" (渤泰) mainly based on the four major customer groups. Leveraging financial technology and business innovation, the Bank further strengthened the brand building of inclusive finance and corporate business, and actively created a green financial brand. Meanwhile, the Bank actively participated in various selection activities by authoritative organizations and well-known media, and won more than 20 awards, which effectively enhanced its brand image.

XIX. DIVERSITY

The Bank attaches great importance to the diversity of employee groups, strictly abides by the principle of equal employment, and resolutely opposes discrimination against employees or restrictions on employment due to race, ethnicity, region, religion, gender and other personal traits. As of the end of the Reporting Period, the gender ratio of the Bank's employees is listed as follows:

Indicator	Unit	Male	Female
Gender ratio of employees	%	46.71	53.29
Gender ratio of middle and senior management	%	80.22	19.78

Report of the Board of Directors

I. PRINCIPAL BUSINESS

The Bank is mainly engaged in banking and related financial services. Please refer to the section headed "Management Discussion and Analysis: Scope of Businesses" in this annual report for the Bank's main business scope.

II. BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" in this annual report for the financial performance, major risks, uncertainties and business outlook of the Bank during the Reporting Period; please refer to "Important Events" in this annual report for details of important events after the Reporting Period; please refer to "Compliance with Laws and Regulations" in this chapter for compliance with laws and regulations; please refer to "Performance of Social Responsibilities" in this chapter for environmental policies and performance, and relations with employees, customers, suppliers and other stakeholders.

III. IMPLEMENTATION OF THE RESOLUTIONS OF SHAREHOLDERS' GENERAL MEETING BY THE BOARD OF DIRECTORS

During the Reporting Period, our Board of Directors fully implemented the resolutions of the Shareholders' general meeting, and earnestly implemented the Profit Distribution Plan for 2021, the Financial Budget Report for 2022, the Investment Plan for 2022, re-appointment of external auditors for 2022, the Loan Reduction and Exemption Authorization Plan and other resolutions reviewed and approved by the Shareholders' general meeting.

IV. PROFIT DISTRIBUTION

(I) Profit Distribution Policy

The Bank's Dividend Policy is as follows:

Profit after income tax paid by the Bank was distributed in the following order:

- Making up for losses of previous years;
- Setting aside 10% for statutory reserve fund;
- Setting aside for general (risk) reserve;
- Setting aside for discretionary reserve fund;
- Paying dividends to Shareholders.

No profit shall be distributed to the Bank's shares held by the Bank. The Bank may distribute dividends in cash or by shares. After the Shareholders' general meeting of the Bank made a resolution on the profit distribution plan, the Board of Directors of the Bank shall complete the distribution of dividends (or shares) within two months upon the Shareholders' general meeting. Any shares paid before the call is entitled to interest, but the holders of the shares have no right to participate in the dividends subsequently declared for the prepaid shares. Subject to the provisions of laws and regulations, the Bank may exercise the power of forfeiture with respect to unclaimed dividends, provided that such power may only be exercised after the expiration of the corresponding limitation period applicable to the declaration of dividends.

The Bank shall have the right to cease delivering dividend warrant to the holders of H Shares by mail, but such right can only be exercised after the dividend warrant has not been drawn twice consecutively. If a dividend warrant fails to reach the recipient in the initial mail delivery and is returned, the Bank may exercise such right promptly. Subject to the provisions of the laws and regulations, the Bank shall have the right to sell the shares of the unreachable holders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

- the Bank has distributed dividends on such shares at least three times in a period of 12 years and the dividends are not claimed by anyone during this period;
- after the expiration of the twelve-year period, the Bank makes a public announcement in one or more newspapers in the place where the Bank's shares are listed, stating its intention to sell such shares and notifies the securities regulatory authority of the place where the Bank's shares are listed of such intention.

Our Bank shall appoint for Shareholders holding overseas listed foreign shares a recipient agent. The recipient agent shall collect on behalf of the relevant Shareholders concerned the dividends distributed and other payables by the Bank in respect of the overseas listed foreign shares. The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange. The recipient agent appointed by the Bank for Shareholders of H Shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

(II) Profit Distribution Proposal for 2022

The Bank proposes to distribute profits for 2022 in below order:

1. The Bank will appropriate statutory surplus reserve base on 10% of the net profit of the Bank amounting to RMB608.813 million;
2. The Bank will appropriate general (risk) reserve amounting to RMB748.666 million;
3. The Bank will not appropriate discretionary surplus reserve in 2022;
4. The Bank will not perform dividend distribution for 2022;
5. In 2022, the Bank will not transfer any reserve funds to increase its share capital.

The aforementioned profit distribution proposal is subject to the review and approval at the 2022 annual general meeting of the Bank.

(III) Cash Dividends in the Past Three Years

	2022 ^{Note}	2021	2020
Dividend payable per 10 shares (tax inclusive, RMB)	–	0.87	0.85
Cash dividends (tax inclusive, RMB'000)	–	1,545,294	1,509,770
Percentage of cash dividends (tax inclusive) in the net profit attributable to ordinary Shareholders of the Bank in the consolidated financial statements (%)	–	20.12	20.14

Note: Profit distribution proposal for 2022 is subject to the review and approval on the 2022 annual general meeting.

(IV) Tax on Dividends

Pursuant to the applicable provisions and the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

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

For individual holders of H Shares who are Hong Kong or Macao residents and those whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for those shareholders.

For individual holders of H Shares whose country of domicile is the country or region which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares. If those shareholders require a refund of the excessive amount of individual income tax payable under the tax treaty, the Bank will handle applications on their behalf for preferential treatments pursuant to the relevant tax treaties. However, in accordance with the Administrative Measures for Treaty Benefits for Non-resident Taxpayers (No. 35 Announcement of the State Taxation Administration in 2019) (《非居民納稅人享受協定待遇管理辦法》) and the requirements of relevant tax treaties, shareholders shall promptly provide relevant papers and data. Upon the review and approval of the applicable tax authorities, the Bank will assist in refunding the excessive amount of tax withheld.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty for those shareholders.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country or region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for those shareholders.

Pursuant to the relevant requirements under the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shenzhen and Hong Kong (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Bank shall withhold individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid withholding tax overseas may apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit with valid tax payment certificates. For dividends received by mainland securities investment funds from investing in Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for the individual investors. Dividends received by mainland corporate investors from investing in Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are included in their total income and subject to corporate income tax according to law. The Bank will not withhold and pay the income tax of dividends for mainland corporate investors and those mainland corporate investors shall report and pay the relevant tax themselves.

V. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

For changes in accounting policy of the Group and accounting estimates and corrections of significant accounting errors during the Reporting Period, please refer to the "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" contained in this annual report.

VI. DIRECTORS' INTERESTS IN THE BUSINESS WHICH COMPETES WITH THE BANK

Mr. YE Baishou, a non-executive Director of the Bank, was the chairman of SDIC Capital Co., Ltd. (國投資本股份有限公司) and the chairman of SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司) during the Reporting Period. Our Directors are of the view that, there is no competition or only minimal potential competition between those financial institutions and our Bank arising from our Director's positions in those financial institutions, since: (I) he was not involved in the daily operation and management of the Bank; (II) we have appointed six independent non-executive Directors, representing one-third of the total members of our Board of Directors to balance any potential conflict of interests in order to safeguard the interests of our Bank and the Shareholders as a whole. As of the end of the Reporting Period, Mr. YE Baishou ceased to be the chairman of SDIC Capital Co., Ltd. and the chairman of SDIC Taikang Trust Co., Ltd. None of our Directors are interested in any business, which competes or is likely to compete, either directly or indirectly, with our business.

VII. DONATIONS

During the Reporting Period, the Group made external donations totaling RMB4.2 million.

VIII. RESERVES AND RESERVES AVAILABLE FOR DISTRIBUTION

For changes in the Group's reserves and reserves available for distribution, please refer to the "Audit Report and Financial Report: Consolidated Statement of Changes in Equity" contained in this annual report.

As of December 31, 2022, the Group's reserves available for distribution amounted to RMB36.926 billion*.

* According to the Articles of Association, the Group's reserves available for distribution shall be subject to the less of the retained earnings in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the IFRS.

IX. MAJOR CUSTOMERS

As of the end of the Reporting Period, the five largest depositors of the Group accounted for less than 30% of gross deposits from customers and the five largest borrowers accounted for less than 30% of gross loans and advances to customers.

X. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into any equity-linked agreement.

XI. PERMITTED PROVISION ON INDEMNITY

The Bank has purchased appropriate liability insurance for Directors, Supervisors and members of senior management in accordance with the relevant provisions of the Articles of Association.

XII. MANAGEMENT CONTRACTS

During the Reporting Period, the Bank did not enter into any administrative or management contracts in respect of the overall or material business of the Company, nor did such contracts existed.

XIII. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Bank consciously observed various relevant laws and regulations of the banking industry, firmly established the concept of “non-compliance is risk and compliance is benefit”, paid close attention to the adjustment and change of regulatory environment, law and regulation, continuously improved the long-term internal control and compliance mechanism.



XIV. FULFILLMENT OF THE DUTIES OF THE FIRST PERSON RESPONSIBLE FOR PROMOTING THE RULE OF LAW

Focusing on enhancing the awareness, ability and mechanism of the rule of law, and implementing the responsibilities of the rule of law, the Bank earnestly implemented various tasks in the construction of the rule of law, and comprehensively promoted the work of the rule of law to achieve new progress. Firstly, the Bank strengthened the top-level design and promoted the establishment of a legal construction leading group headed by the secretary of the party committee of the Head Office and the chairman, with other leaders of the Head Office as group members. Meanwhile, the major responsibilities have been reinforced from top to bottom, and the responsibility requirements of the first person responsible for the construction of the rule of law have been extended to all branches. Secondly, the Bank actively participated in the planning of the construction of the rule of law. It always insists on handling major issues, coordinating key links, and supervising major tasks on its own, further reinforcing work responsibilities, detailing 23 tasks of rule of law construction in 11 categories this year. The Bank also published the “‘Eighth Five-Year’ Rule of Law Publicity and Education Work Plan of Bohai Bank and Specific Measures”, which was incorporated into the overall work plan and annual work plan, so as to ensure that it is deployed, arranged, and promoted in pace with business development. On November 7, 2022, the Bank held its first rule of law work meeting to comprehensively review the progress of the rule of law work throughout the year, sum up experience, find deficiencies, and better guide future work. Thirdly, the Bank strengthened learning and guidance to improve the quality of the rule of law. Taking Xi Jinping’s thoughts on the rule of law and the publicity and study of the Constitution as a must-learn item for the party committee’s theoretical study center group, the Bank strengthened the learning of leading cadres on Xi Jinping’s thoughts on the rule of law, the Constitution and key laws and regulations, intra-party regulations, current political hotspots, and their participation in legal lectures of regulatory organizations, so as to promote the “critical minority” legal literacy and the improvement in rule of law. As of the end of the Reporting Period, the Bank’s 2022 online law learning and usage examination for leading cadres was successfully completed, and 100% of leading cadres who signed up to participate have passed the assessment. Fourthly, the Bank strictly enforced the law, further promoted compliance management, continued to improve the legal risk prevention system, fulfilled the requirements for early warning for risk and reverse investigation for legal work, and completed the construction of a comprehensive legal management platform system, which continuously improved its risk management and control capabilities and legal compliance management level. Fifthly, the Bank strengthened the introduction of the law and consolidated the position of the rule of law. The Bank opened an online column to promote rule of law, established an offline cultural wall to promote and educate on rule of law, organized 5 training sessions on the rule of law focusing on key businesses and fields, and carried out 5 activities to promote rule of law practice around key aspects. Sixthly, the Bank strengthened the creation of original works for the promotion of the rule of law, actively participated in the collection of animation micro-video works for the rule of law in Tianjin, and produced a set of micro-videos for the introduction and education of the rule of law for teenagers in the “Bo Xue Duo Cai” (渤海學多財) project developed by the Bank.

XV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Serving Rural Revitalization

Persisting in conscientiously implementing the decisions and deployments of the Party Central Committee and the State Council, the Bank adhered to the political and national nature as a commercial bank, unwaveringly serving “San Nong”, strictly implementing the requirements of regulatory authorities, and allocating better financial resources to the key areas and weak links of the development of agricultural industries, in order to accelerate the construction of a modern rural industrial system, and comprehensively promote rural revitalization.

As of the end of the Reporting Period, the Bank’s agriculture-related loan balance was RMB50.571 billion, an increase of RMB3.374 billion or 7.15% over the end of the previous year. (Data in accordance with regulatory standards, excluding the Hong Kong Branch)

Improved the system and mechanism to form “a board of chess” for the Bank to serve rural revitalization

Firstly, the Bank strengthened organization and leadership. In 2022, under the leadership of the leading group for consolidating poverty alleviation and serving rural revitalization, with the secretary of the party committee of the Head Office as the group leader and the president of the Head Office as the deputy group leader, the Bank developed in coordination to build a long-term working mechanism for serving rural revitalization. Secondly, the Bank improved policy guidance. The Bank issued the “Implementation of Financial Support to Consolidate and Expand the Achievements in Poverty Alleviation and to Comprehensively Promote the Implementation of Rural Revitalization by Bohai Bank (《渤海銀行落實金融支持鞏固拓展脫貧攻堅成果全面推進鄉村振興的實施意見》)”, and specified the key areas of rural revitalization in its credit policy to continuously improve the quality and efficiency of financial services for rural revitalization. Thirdly, the Bank continuously carried out assessment and supervision. Through the formulation of differentiated performance appraisal policies, the importance of financial support for rural revitalization was further strengthened.

Strengthened the consolidation of resources to comprehensively promote rural revitalization

Firstly, the Bank continuously enriched the agricultural support credit models, used technology to empower, and met the diversified and multi-level financial needs of rural revitalization by deepening the cooperation between the bank and guarantee institutions and innovating “Bohai Farmer Loans (渤農貸)”, “Inclusive Agriculture and Animal Husbandry (普惠農牧)” and other financial products for rural areas. Secondly, the Bank relied on rural characteristic and advantageous resources, focused on leading enterprises in the industrial chain, and explored a new model of “1+N” agricultural support credit. Meanwhile, the Bank continued to increase credit in grain production, sales, storage, and processing and other fields to serve the entire agricultural industry chain. Thirdly, regarding the comprehensive promotion of rural revitalization and realization of high-quality agricultural and rural development as the main line, focusing on modern agricultural development, rural construction and other aspects, the Bank provided targeted marketing services to customers in the field of rural construction, and increased the intensity of loans for agricultural and rural infrastructure construction. Fourthly, the Bank vigorously carried out the underwriting and innovative business of rural revitalization bills, and further increased the scale of bond underwriting business, to provide smooth direct financing channels for the real economy in rural areas. Fifthly, taking strategic direction as its guide, customers as its orientation, compliance as its standard, and sustainability as its outline, the Bank strengthened the characteristic training on the theme of rural revitalization, and improved the quality and efficiency of marketing.

(II) Protection of Consumer Rights and Interests in the Banking Industry

During the Reporting Period, with the mission of serving the national strategy, serving the real economy, and serving a better life, and taking protecting the legitimate rights and interests of consumers as its own responsibility, the Bank continued to strengthen the guidance and supervision roles of the Board of Directors, the Board of Supervisors, and senior management on the protection of consumer rights and interests, and integrated consumer rights protection into corporate governance, corporate culture construction, business development and business management, which comprehensively improved the level of consumer rights protection, and helped build a harmonious financial environment.

Strengthened review on consumer protection. The Bank amended the “Management Measures for Review on the Protection of Financial Consumer Rights and Interests of Bohai Bank” (《渤海銀行金融消費者權益保護審查管理辦法》), improved the mandatory restraint management and post-review evaluation mechanism of review on consumer protection, and embedded the concept of customer interests first and customer needs first into the whole process of products and services covering development and pricing, text design, market access, external sales and service improvement. During the Reporting Period, 1,732 items of various materials were reviewed at the Head Office level, and 527 items of substantive review opinions were put forward.

Strictly protected personal financial information. The “Management Measures for the Protection of Personal Financial Information of Customers of Bohai Bank” (《渤海銀行客戶個人金融信息保護管理辦法》) was amended to embed personal information protection into every link of the Bank’s products and services, and was included in the service standards of business outlets. The Bank further strengthened data security management to strictly control the scope of data authorization, upgraded data backup strategy, and ensured customer information security. Privacy policies were published through mobile banking and WeChat mini-programs to announce how the financial information of consumers is handled, in order to strengthen information disclosure. Contingency plans for personal information emergencies were also formulated and regular drills were organized to effectively protect the rights and interests of customers.

Strengthened the construction of consumer protection culture. The Bank deeply integrated the consumer protection culture with its “customer first” service culture, and established the concept of “lean service, adhere to original aspiration, consumer protection for the people, demonstrate responsibility”. The Bank actively promoted the effective implementation of laws and regulations, regulatory policies, industry standards and the Bank’s management requirements, focused on key areas such as codes of conduct for marketing and promotion activities, and personal information protection, and key areas such as loan business and credit card business, and organized more than 20 special trainings on consumer protection with more than 50,000 participants covering middle and senior management personnel, consumer protection management personnel, grassroots business personnel and new recruits.

Actively introduced financial knowledge. The Bank revised the “Management Measures for Financial Knowledge Introduction and Consumer Education of Bohai Bank” (《渤海銀行金融知識普及和消費者教育管理辦法》), formulated annual education and promotion work plans, innovated the form of activities, expanded promotion channels, strengthened collaboration and linkage with regulatory authorities, made full use of mainstream media to improve the effectiveness of education and promotion activities, and continued to improve consumer financial literacy and risk prevention capabilities. During the Reporting Period, the Bank carried out more than 7,700 promotion events, reaching 83.57 million consumers; distributed more than 1.86 million copies of various promotional materials offline; and released 2,286 entries of educational promotion information online, with 56.04 million hits. A total of 159 articles about consumer protection promotion were accepted by the regulatory authorities. The Bank’s press releases such as “Bohai Bank joined hands with the elderly to protect them in their old age during the Double Ninth Festival” (《歲歲重陽 渤海銀行攜手銀髮一族守護最美夕陽紅》), “Bohai Bank launched ‘3•15’ consumer rights protection activities to fulfill its responsibilities as a financial guardian” (《踐行金融衛士責任 渤海銀行開展“3•15”消費者權益保護活動》), “Bohai Bank insists on party building to lead and improve consumer protection and help people secure their pocketbooks” (《堅持黨建引領 提升消保質效 渤海銀行助力百姓守住“錢袋子”》) were reported by the mainstream media for more than 230 times.

Strengthened the management of consumer complaint handling. Adhering to the concept of “consumer protection for the people”, the Bank effectively improved the quality and efficiency of complaint management through system regulation, process optimization, complaint analysis, assessment and accountability and other measures. During the Reporting Period, the Bank accepted 11,037 consumer complaints, with a complaint settlement rate of 100% and a customer satisfaction rate of return visits of 85.13%. The complaints received by the Bank were mainly concentrated in the three types of business, namely loan business, credit card business, and personal financial information, which accounted for 34.44%, 24.07%, and 8.6% respectively, totaling 67.11%. The complaints mainly came from the five areas, namely Tianjin, Guangdong, Shandong, Shaanxi, and Shanghai, which accounted for 6.47%, 5.99%, 4.04%, 3.14% and 3.04% respectively, totaling 22.68%.

(III) Development of Green Financial Business

Under the decisions and plans of the CPC Central Committee and the State Council, and based on the new development stage, the Bank adhered to the new development philosophy, built a new development layout, actively fulfilled the national green development concepts and sustainable development strategy, and increased support for green, low-carbon and circular economy. The Bank prevented environmental, social and governance risks, improved its environmental, social and governance performance, established green awareness across the bank, and fulfilled corporate social responsibilities.

As of the end of the Reporting Period, the Bank's green loan balance was RMB27.305 billion, an increase of RMB2.586 billion or 10.46% over the end of the previous year. In particular, loans for the clean energy industry were RMB5.182 billion, an increase of RMB1.72 billion or 49.68% over the end of the previous year. (data in accordance with regulatory standards, excluding the Hong Kong Branch)

Strengthened the top-level design to create a green financial background for Bohai Bank

The Bank actively implemented China's major decision-making arrangements, actively integrated the concept of green finance into business operations, and built an "agile and warm bank" that serves entities. At the top-level design, the Bank focused on serving China's goals on carbon peaking and carbon neutrality, integrated green finance into the Fourth "Five-Year Plan", and built a complete strategic framework system and implementation roadmap. In terms of organizational structure, the Risk Management and Green Finance Committee was set up under the Board of Directors, and a green finance leadership group was set up by the management to realize the overall planning of green finance business. In terms of systems and mechanisms, a number of green finance support policies such as the Guidance on Further Promoting the Development of Green Finance Business of Bohai Bank (《渤海銀行關於進一步推動綠色金融業務發展的指導意見》) have been formulated, forming a relatively complete green financial system.

Fulfilled responsibilities and took multiple measures to support green and low-carbon development

Focusing on the decision-making and deployment of the goals to achieve carbon peaking and carbon neutrality, the Bank actively built a multi-level and three-dimensional business system. Firstly, the Bank continued to increase financial support for energy-saving and emission-reduction, circular economy, clean energy and other energy-saving and environmental protection enterprises and projects, and established cooperative relations with many high-quality green enterprises, with green loans increasing year by year. Secondly, the Bank set up green financial assessment indicators, made full use of assessment tools to guide and supervise the implementation of green financial regulatory policies across the bank, and further promoted the development of green finance in the bank. Thirdly, the Bank strengthened innovation leadership, continued to optimize services and products, and innovatively launched specific green asset-backed loans and structured deposit products linked to green financial bonds. Meanwhile, the Bank actively promoted the issuance of green bonds, explored retail carbon account business models, and continuously strengthened the development quality and sustainable growth capacity of green finance. Fourthly, the Bank made full use of structural monetary policy tools, provided green and low-carbon enterprises with stable financing channels and reduced their financing costs through the PBoC's carbon emission reduction support tools, and further supported the development of various types of green and low-carbon enterprises. Fifthly, the Bank strengthened risk management and project management in high-carbon industries, supported energy-saving transformation of traditional industries, and avoided one-size-fits-all and campaign-style carbon reduction. The Bank also carried out climate risk stress testing to ensure that the overall asset quality of green loans remains at a good level in the long term.

Raised awareness of “promoting its own green development” and became a leader of green and low-carbon transformation

Under the guidance of the goals to achieve carbon peaking and carbon neutrality, the Bank continued to improve its green financial service capabilities. On the one hand, the Bank has stepped up training efforts, and carried out several special trainings on green finance via the platform of the “Set Sail Campaign” public lectures, so as to continuously improve the awareness and ability of customer departments to serve green enterprises. On the other hand, the Bank focused on its own green operation, adopted various measures such as electricity-saving to create a transmission chain for energy conservation and emission reduction. The Bank continued to carry out diversified green public welfare activities, disseminated green concepts to employees, customers and the public, and strived to achieve “carbon neutrality” in its investment and financing structure and the Bank. In 2022, the Bank won the 2022 “ESG Pioneer Award” (ESG 先鋒獎) of the China ESG Finance Summit jointly sponsored by the Financial Association and the Chinese Academy of Environmental Planning of the Ministry of Ecology and Environment, gaining a high degree of social recognition.

For more information on the fulfillment of social responsibilities by the Bank during the Reporting Period, please refer to the 2022 Social Responsibility Report published on the websites of the HKEX and the Bank.

XVI. OTHER MATTERS REQUIRED TO BE DISCLOSED

During the Reporting Period, there was no other matter of the Bank to be disclosed.

By order of the Board of Directors
Chairman
LI Fuan
March 29, 2023



Report of the Board of Supervisors

I. MAIN WORK OF THE BOARD OF SUPERVISORS

(I) Strengthening the Supervision over Performance of Duties, Focusing on Urging the Board of Directors, Senior Management and Their Members of the Bank to Perform Their Duties up to Standard

In 2022, the Board of Supervisors adopted a combination of daily supervision with annual performance evaluation, and focused on follow-up supervision to further strengthen the supervision of the performance of duties by the Board of Directors, senior management and their members. Firstly, the Board of Supervisors established a follow-up supervision mechanism. Guided by supervision and rectification, the Board of Supervisors sorted out and formed the "List of Items to be Implemented and Supervised for the Board of Directors and Senior Management Proposed by the Board of Supervisors of Bohai Bank for 2021" (《2021年度渤海銀行監事會建議董事會、高級管理層落實事項督辦清單》), set time nodes and continued to follow up and ask for results, and initially formed a closed-loop chain for rectifying and implementing supervision opinion of the Board of Supervisors based on the concept of "identify problems, make suggestions, strengthen supervision, and focus on actual results". Secondly, the Board of Supervisors strengthened daily performance supervision. The Board of Supervisors sent staff to attend all on-site meetings of the Board of Directors and special committees in 2022, supervised the effective operation of the Board of Directors and special committees and Directors' performance of duties; arranged employees' representative Supervisors to attend the president's office meetings, special meetings conducted by the president, and the 2022 audit work meeting, 2022 work conference and quarterly business analysis meetings. The Board of Supervisors continued to pay attention to the development of the Bank, reviewed a total of 197 items of various proposals, reports, and research items before the meetings; reviewed a total of 87 information reports, president's office meeting minutes, minutes of special meetings conducted by the president, internal control compliance risk alerts and other materials during the adjournment period. Thirdly, the Board of Supervisors improved the annual performance evaluation. According to the new relevant regulatory rules, the Board of Supervisors organized and carried out evaluation of the performance of the Board of Directors, senior management and their members in 2021. Focusing on the evaluation of the performance of the Board of Directors and senior management in terms of comprehensive risk management and other aspects, evaluation opinion notification mechanism was developed to timely report the performance evaluation results of the Board of Supervisors and related opinions and suggestions to the Board of Directors and senior management, and report to the general meeting and regulatory authorities on time. Fourthly, the Board of Supervisors paid attention to the supervision of post-office audits. In 2022, according to the resolution of the Board of Directors, the Board of Supervisors organized the post-office audits of four Directors including CUI Xuesong, LI Yi, ZHANG Xifang, and WANG Zhiyong, inspected and evaluated their performance during their terms of office, and issued post-office audit reports thereon.

(II) Strengthening the Supervision over Financial Matters, and Constantly Focusing on Major Financial Decisions of the Bank and Their Implementation

In 2022, the Board of Supervisors of the Bank continued to supervise the financial position of the Bank and paid close attention to matters that may affect the operation and management and overall financial position. Firstly, the Board of Supervisors listened to reports on important financial decisions and their implementation. In 2022, the Board of Supervisors attended relevant meetings of the Board of Directors and the senior management without voting rights, and supervised the annual financial budget and final accounts, comprehensive business operation plans and other plans of the Bank. Secondly, the Board of Supervisors reviewed the business overview regularly, followed up the completion of assets and liabilities, financial revenue and expenditure, and the Board of Directors' budget on a monthly basis, and focused on changes in the important financial indicators, major operating indicators and major provisions of the Bank. Thirdly, the Board of Supervisors considered relevant matters in a timely manner. In 2022, the Board of Supervisors of the Bank reviewed the 2021 profit distribution plan, the 2021 annual report, and the 2022 interim report, and offered opinions on the compliance and rationality of the profit distribution plan, as well as the authenticity, accuracy and completeness of the contents of the regular reports. Fourthly, the Board of Supervisors supervised the management of external audit work. It dispatched staff to be present at meetings of the Audit and Consumer Rights Protection Committee of the Board of Directors, listened to the 2021 annual audit report by the external auditor, and conducted on-site supervision on the review of the Proposal on the Re-appointment of the External Auditor of CHINA BOHAI BANK CO., LTD. of 2022 and the Proposal on the Appointment of the External Auditor of CHINA BOHAI BANK CO., LTD. of 2023.

(III) Strengthening the Supervision over Internal Control and Promoting Continuous Optimization of the Internal Control and Compliance Management System

Firstly, the Board of Supervisors strengthened special supervision on key compliance matters. In accordance with the relevant requirements of the regulatory system for supervisory responsibilities, besides listening to reports on internal control and compliance work regularly, the Board of Supervisors also listened to reports on case prevention and control, anti-money laundering work, and employee behavior investigations by topic separately, and put forward suggestions for strengthening management to the Board of Directors and senior management in a targeted manner. Secondly, the Board of Supervisors strengthened special supervision on the implementation of regulatory opinions. The Board of Supervisors conducted meetings to listen to the "Report on Administrative Punishment Matters Involved in the Special Inspection of Foreign Exchange Business of CHINA BOHAI BANK CO., LTD." (《關於渤海銀行股份有限公司外匯業務專項檢查涉及行政處罰事項的報告》), "CBIRC's 2021 Annual Supervision Report and the Rectification Report on Bohai Bank" (《中國銀保監會關於渤海銀行 2021 年度監管情況的通報及本行整改情況的報告》), aiming at the problems pointed out in the regulatory circular, supplemented and improved the 2022 work plan of the Board of Supervisors, added a new "special audit of real estate credit business", and accelerated the rectification of problems prompted by higher-level departments. Thirdly, the Board of Supervisors strengthened the audit supervision of the second line of defense. The Board of Supervisors guided the working organization to carry out audits on related party transaction management, compliance risk management, operational risk management, and business continuity management in 2021, implemented regulatory requirements, focused on internal control and compliance management organizational structure, division of responsibilities, policy formulation and implementation, and gave out reminders to the Board of Directors and senior management regarding the risk exposure of clients with concentrated related party transactions. Fourthly, the Board of Supervisors strengthened the investigation and supervision of the internal control implementation of branches. Employees' representative Supervisors conducted surveys on Suzhou Branch, Hangzhou Branch, Binhai New District Branch, Guiyang Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Xiamen Pilot Free Trade Zone Branch, and Weidi Road Sub-branch, and external Supervisors and employees' representative Supervisors held online discussions with Guangzhou Branch to learn more about the investigation of abnormal employee behavior, case prevention and control work, and rectification of problems found in internal and external inspections, and put forward opinions and suggestions on the spot.

(IV) Strengthening the Supervision over Risk Management, and Highlighting the Basis of Comprehensive Risk Management and the Supervision of Major Risk Management and Control

Firstly, the Board of Supervisors focused on strengthening the supervision over the basic mechanism of risk management. The Board of Supervisors regularly listened to comprehensive risk management reports, reviewed the Bank's risk preference and limit management plan, required all staffs of the Bank to strengthen the promotion, implementation, training and assessment of comprehensive risk management, improved the overall risk management of the Head Office and branches, attached importance to financial asset quality management, and paid attention to the internal implementation of the "Implementation Rules on Expected Credit Loss Approach of Commercial Banks" (《商業銀行預期信用損失法實施管理辦法》). Secondly, the Board of Supervisors increased the supervision over reputation risk management. The Board of Supervisors implemented regulatory requirements, arranged special audits on reputation risk management, focused on the establishment and improvement of the Bank's reputation risk management organizational structure, reputation risk management policies and procedures, establishment of reputation risk management information systems, and rectification of problems found in internal and external inspections, etc., to promote the improvement of reputation risk management. Thirdly, the Board of Supervisors improved the direct effectiveness of audit supervision and inspection. Based on the key areas of focus of regulatory authorities and the actual risk management and control of the Bank, the Bank carried out targeted audits on capital management, liquidity risk management, salary performance, business continuity management, etc., supervised and implemented the rectification of problems found in the audit, and promoted the continuous improvement in risk management efficiency of the Bank. Fourthly, the Board of Supervisors quickly focused on the management and prevention of business risks. The Board of Supervisors organized special meetings for Supervisors in a timely manner, listened to special reports on the Bank's preventive measures for concentration risk, liquidity risk and reputation risk after group customer risk exposure, put forward targeted opinions and suggestions, and sent the "Letter on Further Strengthening Risk Prevention and Disposal of the Bank" to the senior management to provide reminders on relevant risks and management suggestions.

II. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

(I) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank convened a total of 5 meetings at which 12 resolutions were considered and approved and 29 reports were heard and reviewed. Details are as follows:

1. *The 12th meeting of the fifth session of the Board of Supervisors (Annual Meeting 2021)*

The 12th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on March 29, 2022. The meeting was held legally and effectively with 5 Supervisors actually attended. 8 resolutions were considered and approved at the meeting and the matters considered included: Work Report of the Board of Supervisors for 2021, the Independent Opinions of the Board of Supervisors on the Relevant Matters for 2021, the Board of Supervisors' 2021 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2021 年度監事會自我評價和監事履職評價情況報告), the Board of Supervisors' 2021 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members (監事會對董事會、高級管理層及其成員 2021 年度履職評價報告), Profit Distribution Plan for 2021, Annual Report 2021, Internal Control Evaluation Report and Auditor's Statement for 2021 and Work Plan of the Board of Supervisors for 2022.

The meeting also reviewed 12 reports including the 2021 Comprehensive Risk Management Report, 2021 Internal Audit Work Report, 2021 Related Party Transaction Management Audit Report, Internet Loan Business Audit Report, Data Governance Audit Report, 2021 Internal Control Compliance Report, 2021 Case Prevention and Control Work Summary, 2021 Anti-Money Laundering Work Report, 2021 Consumer Rights Protection Work Summary and 2022 Work Plan Report, 2021 Third Quarter Consumer Complaints Report, Re-appointment of the Accounting Firm's Work for 2022, and Report on Administrative Penalties Involved in Special Inspection of Foreign Exchange Business.

2. The 13th meeting of the fifth session of the Board of Supervisors

The 13th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on April 21, 2022. The meeting was held legally and effectively with 5 Supervisors actually attended. 1 resolution was considered and approved at the meeting and the matter considered was: Proposal to Re-approve the Results of the Performance Evaluation of Director LI Yi in 2021.

3. The 14th meeting of the fifth session of the Board of Supervisors

The 14th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on June 28, 2022. The meeting was held legally and effectively with 5 Supervisors actually attended. 2 resolutions were considered and approved at the meeting and the matters considered included: Proposal on Supervisor MA Shuming Serving as a Member of the Supervisory Committee of the Fifth Session of the Board of Supervisors of the Bank, and Proposal on the Work Plan of the Board of Supervisors for 2022 (Revised Draft).

The meeting also reviewed 4 reports including the 2021 Implementation Evaluation Report of the Plan for Development Strategy (2021-2025), 2021 Self-assessment Report on Data Management, Report on the "People's Bank of China Law Enforcement Inspection Opinions" and its Rectification, and Audit Report for Financial Market Business.

4. The 15th meeting of the fifth session of the Board of Supervisors

The 15th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on August 26, 2022. The meeting was held legally and effectively with 5 Supervisors actually attended. 1 resolution was considered and approved at the meeting and the matter considered was: 2022 Interim Report.

The meeting also reviewed 9 reports including the Comprehensive Risk Management Report for the First Half of 2022, Internal Control and Compliance Work Report for the First Half of 2022, Internal Audit Work Report for the First Half of 2022, Consumer Rights Protection Work Report for the First Half of 2022, Report on the Investigation of Abnormal Employee Behaviors for the First Half of 2022, Reports on Consumer Complaints in the Fourth Quarter of 2021 and the First Quarter of 2022, Post-office Audit Report of Director CUI Xuesong, Post-office Audit Report of Director LI Yi, CBIRC's 2021 Annual Supervision Report and the Rectification Report on Bohai Bank (Written Report).

5. The 16th meeting of the fifth session of the Board of Supervisors

The 16th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on December 21, 2022. The meeting was held legally and effectively with 5 Supervisors actually attended. 4 reports were reviewed at the meeting, including the Consumer Rights Protection Supervision and Evaluation Report for 2021 and the Bank's Rectification Report, Third Quarter Internal Audit Work Report for 2022, Post-office Audit Report of Director WANG Zhiyong, and Post-office Audit Report of Director ZHANG Xifang.

During the Reporting Period, the attendance of the Bank's Supervisors at meetings of the Board of Supervisors was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
WANG Chunfeng	5	5	—	—
QI Ershi	5	5	—	—
DIAO Qinyi	5	5	—	—
HUI Yung Chris	5	5	—	—
MA Shuming	5	5	—	—

(II) Meetings of Each Special Committee of the Board of Supervisors

1. *Nomination Committee of the Board of Supervisors*

(1) Personnel composition

As of the end of the Reporting Period, the Nomination Committee of the fifth session of the Board of Supervisors of the Bank consisted of three members, being external Supervisor QI Ershi, employees' representative Supervisor WANG Chunfeng and MA Shuming, respectively, and was chaired by QI Ershi.

(2) Primary duties

The Nomination Committee of the Board of Supervisors shall be responsible for formulating standards and procedures for selecting and appointing supervisors, and preliminarily examining the qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors; supervising scientificity and reasonability of remuneration management system and policies of the Bank and remuneration plan of senior management personnel; supervising the election and appointment process of Directors; evaluating the performance of Directors, Supervisors and senior management comprehensively; performing off-office audits on Directors and senior management; and dealing with other matters authorized or designated by the Board of Supervisors.

(3) Meetings and work

During the Reporting Period, the Nomination Committee of the Board of Supervisors of the Bank held 4 meetings on March 25, 2022, April 21, 2022, August 26, 2022 and December 21, 2022, at which 3 resolutions were considered and approved and 4 reports were heard and the matters considered included: the Board of Supervisors' 2021 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors, the Board of Supervisors' 2021 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members, and the Proposal to Re-approve the Results of the Performance Evaluation of Director LI Yi in 2021. In addition, it also heard Post-office Audit Report of Director CUI Xuesong, Post-office Audit Report of Director LI Yi, Post-office Audit Report of Director WANG Zhiyong, and Post-office Audit Report of Director ZHANG Xifang.

The attendance of members of the Nomination Committee of the Board of Supervisors of the Bank during the Reporting Period was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
QI Ershi	4	4	–	–
WANG Chunfeng	4	4	–	–
MA Shuming	4	4	–	–

2. The Supervision Committee of the Board of Supervisors

(1) Personnel composition

As of the end of the Reporting Period, the Supervision Committee of the fifth session of the Board of Supervisors of the Bank consisted of 3 members, being external Supervisors DIAO Qinyi and HUI Yung Chris, and employee's representative Supervisor MA Shuming, respectively, and chaired by DIAO Qinyi.

(2) Primary duties

The Supervision Committee of the Board of Supervisors shall be responsible for supervising the Board of Directors in the forming of sound operating concept and value standards, and a development strategy consistent with our Bank's circumstances, formulating a supervision plan for our Bank's financial activities and implement relevant inspections, monitoring and inspecting our Bank's business decisions, risk management and internal control, and dealing with other matters authorized or designated by the Board of Supervisors.

(3) Meetings and work

During the Reporting Period, the Supervisory Committee of the Board of Supervisors of the Bank held two meetings on March 28, 2022 and August 24, 2022, respectively, and listened to 10 reports: Audit Report on the Management of Related Party Transactions for 2021, Audit Report on the Internet Loan Business, Audit Report on Data Governance, Anti-Money Laundering Work Report for 2021, Report on Consumer Complaints in the Third Quarter of 2021, KPMG Huazhen's Report on the 2021 Financial Report Audit of CHINA BOHAI BANK CO., LTD., Comprehensive Risk Management Report for the First Half of 2022, Internal Control and Compliance Work Report for the First Half of 2022, Internal Audit Work Report for the First Half of 2022, and Investigation Report on Abnormal Employee Behavior for the First Half of 2022.

The attendance of members of the Supervision Committee of the Board of Supervisors of the Bank during the Reporting Period was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
DIAO Qinyi	2	2	-	-
HUI Yung Chris	2	2	-	-
MA Shuming	1	1	-	-

III. THE INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) The Bank's Legal Operations

During the Reporting Period, the Bank conducted operation activities in accordance with the laws and its decision-making procedures were legal and valid. No violations of laws and regulations, the Articles of Association or other behaviors that harmed the interests of the Bank and its Shareholders were found among Director or the members of the senior management of the Bank during their performance of duty.

(II) The Truth in the Financial Reports

KPMG and KPMG Huazhen LLP have reviewed the 2022 financial reports of the Group and the Bank in accordance with the requirements set out in the IFRS and the China Accounting Standards for Business Enterprises respectively, and standard unqualified audit reports have been issued. The Board of Supervisors has no objection to the truthfulness of such financial reports.

(III) Use of Proceeds Raised

During the Reporting Period, the use of proceeds raised of the Bank was consistent with promised use.

(IV) Purchase and Sale of Assets

During the Reporting Period, there was no material acquisition or disposal of assets.

(V) Related Party Transactions

The Board of Supervisors has approved the Audit Report on the Related Party Transactions Management for 2022.

(VI) Internal Control

The Board of Supervisors has considered and approved the internal control evaluation report for 2022 of the Bank.

(VII) Implementation on Resolutions of the General Meeting

The Board of Supervisors has held no objection to all reports and proposals submitted to the Shareholders' general meeting for consideration by the Board during the Reporting Period, and supervised the implementation on resolutions of the general meeting. The Board of Supervisors believes that the Board of Directors has earnestly implemented such resolutions of the general meeting.

Important Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank as the plaintiff or claimant has involved in a total of 79 litigations with the amount in dispute of over RMB30 million each, most of which were routine litigations and settlements initiated by the Bank for the recovery of NPLs, and no provisions will be made.

As of the end of the Reporting Period, the Bank as the defendant or respondent has involved in a total of 4 litigations with the amount in dispute of over RMB10 million each. Among them, 1 case has been closed, and the Bank does not need to bear any responsibility. The remaining three cases have not yet entered the substantive trial stage.

According to the above, the Bank considers that the above-mentioned litigations and arbitrations will not have any material and adverse impact on our operating activities and financial position.

In 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit and reported the case to the security authorities. In 2022, the Bank filed a civil lawsuit with the People's Court in this regard. As of the date of this annual report, the case was in the judicial process. The outcome of the case is subject to the judgement of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably estimated.

II. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, and there was no material acquisition and disposal of assets or business merger.

III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plan.

IV. PRE-EMPTIVE RIGHT

The Articles of Association of the Bank have no mandatory provisions on pre-emptive right.

V. PUBLIC FLOAT

Based on publicly available information and to the knowledge of our Directors, as of the date of this annual report, the Bank had maintained the public float as required by the Listing Rules and the relevant waivers granted by the Hong Kong Stock Exchange.

VI. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, all related party transactions of the Bank were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's rules for related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which were not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business with the members of the shareholders' group. Please refer to the "Audit Report and Financial Report: Notes to the Consolidated Financial Statements: 'Related parties'" of this annual report for specific data on related party transactions.

(I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions issued by the CBIRC, the material related party transactions of the Bank were all credit business. All credit-granting related party transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements, the Bank's credit conditions and review procedures. During the Reporting Period, the Board of Directors of the Bank approved four resolutions on material related party transactions: first, the (changed) related party transactions on credit business of China Oceanwide Group Limited considered and approved at the 29th meeting of the fifth session of the Board of Directors; second, the related party transactions on credit business of Tianjin Bohai State-owned Assets Administration Co., Ltd. considered and approved at the 36th meeting of the fifth session of the Board of Directors; third, the (changed) related party transactions on credit business of China Oceanwide Group Limited considered and approved at the 40th meeting of the fifth session of the Board of Directors; and fourth, the related party transactions on credit business of TEDA Investment Holding Co., Ltd. considered and approved at the 42nd meeting of the fifth session of the Board of Directors.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB22.324 billion according to the standards of the CBIRC. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB12.518 billion, that granted to Standard Chartered Bank (Hong Kong) Limited and its related parties was RMB0.1 million, that granted to China Shipping Investment Co., Ltd. and its related parties was RMB270 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB34 million, that granted to China Baowu Steel Group Corporation Limited and its related parties amounted to RMB590 million, and that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8.426 billion, and that granted to other related parties reached RMB486 million.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB12.788 billion. Specifically, the Bank extended RMB12.518 billion of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, RMB0.1 million to Standard Chartered Bank (Hong Kong) Limited and its connected persons, RMB270 million to China Shipping Investment Co., Ltd. and its connected persons, and RMB0.1 million to other connected persons. The above-mentioned connected transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules of Hong Kong Stock Exchange.

Non-credit transactions between the Bank and related parties, such as service, leasing, agency sales and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. None of the above-mentioned transactions constitute material related party transactions under the standards of the CBIRC, and they are connected transactions meeting the minimum exemption level under Chapter 14A of the Hong Kong Listing Rules.

(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

(III) Related Party Transactions in Joint External Investment

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material Custody, Contracting or Leasing Matters

During the Reporting Period, the Bank had no material custody, contracting or leasing matters which were required to be disclosed.

(II) Important Guarantees

During the Reporting Period, besides the normal business scope, the Bank had no important guarantees which were required to be disclosed.

(III) Other Material Contracts

During the Reporting Period, the Bank had no other material contracts which were required to be disclosed.

VIII. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN

During the Reporting Period, the Bank had no significant equity investment or major equity investment plans.

IX. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES

The Bank had no controlling shareholder, and there is no misappropriation of the Bank's funds by other related parties.

The external accounting firm of the Bank has issued the Special Explanation on Occupation of Non-Operating Funds and Other Related Fund Transactions of CHINA BOHAI BANK CO., LTD. for 2022.

X. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. The Bank was not subject to any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations, or any major administrative penalty by other competent authorities that has a significant impact on the operation and management of the Bank. During the Reporting Period, none of Directors, Supervisors and members of senior management of the Bank was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by CSRC and other competent authorities due to suspected violations of laws and regulations in their performance of duties in the Bank, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties in the Bank. During the Reporting Period, neither the Bank nor any of its Directors, Supervisors or members of senior management was subject to any administrative and regulatory measures and disciplinary actions taken by the CSRC, other competent authorities or stock exchanges.

XI. INTEGRITY OF THE BANK

During the Reporting Period, the Bank has not experienced circumstances in which it fails to fulfil the obligations determined by legal documents in effective judgment of the court, and is not liable for a relatively large amount of debts that are overdue.

XII. OTHER MATERIAL EVENTS

(I) Obtaining Business Qualification

During the Reporting Period, the Bank obtained the first batch of qualifications to launch individual pension business.

On December 13, 2022, the Bank was successfully approved by the Shanghai Clearing House for RMB foreign exchange transactions and bond net clearing business qualifications. The acquisition of such business qualification will help the Bank expand the scope of counterparties, effectively save risk capital, optimize the use of credit resources, and promote more efficient development of financial market business.

(II) Establishment of a Capital Operation Center

In June 2022, the Bank received the "Approval from the China Banking and Insurance Regulatory Commission Beijing Office on the Opening of CHINA BOHAI BANK CO., LTD. CAPITAL OPERATION CENTER (渤海銀行股份有限公司資金運營中心)" (Jingyinbaojianfu [2022] No. 422), approving the opening of the CBHB Capital Operation Center. The center was officially opened on September 26, 2022.

(III) Issuance of Bonds

On February 22, 2022, the Bank issued three-year special financial bonds for loans to small and micro enterprises with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.95%.

On December 1, 2022, the Bank issued three-year financial bonds with face value of RMB15 billion. The fixed coupon interest rate per annum is 2.95%.

(IV) Rating

During the Reporting Period, the Bank actively carried out follow-up rating work of international ratings, and delivered positive information of the Bank to rating companies objectively and accurately. Moody's rated the Bank as Baa3, and Standard & Poor's rated the Bank as BBB-, maintaining the "investment grade" rating. The rating results objectively and comprehensively reflected the operating conditions, market image and industry status of the Bank.

XIII. SUBSEQUENT EVENTS

As of the date of this annual report, the Bank had no major subsequent events that need to be disclosed.

XIV. REVIEW OF ANNUAL RESULTS

The Bank's external auditor KPMG Huazhen LLP and KPMG have reviewed the consolidated financial reports prepared by the Group in accordance with the requirements set out in the China Accounting Standards for Business Enterprises and the IFRS, and standard unqualified audit reports have been issued. The Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Group's results and financial reports for the year ended December 31, 2022.

XV. PUBLICATION OF THE ANNUAL REPORT

The English and Chinese versions of the annual report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the HKEX and the website of the Bank.

Audit Report and Financial Report

Contents

Independent Auditor's Report	132
Consolidated Statement of Profit or Loss and Other Comprehensive Income	140
Consolidated Statement of Financial Position	142
Consolidated Statement of Changes in Equity	144
Consolidated Statement of Cash Flows	145
Notes to the Consolidated Financial Statements	147
Unaudited Supplementary Financial Information	272

Independent Auditor's Report

Independent Auditor's Report To the Shareholders of CHINA BOHAI BANK CO., LTD.

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

Opinion

We have audited the consolidated financial statements of CHINA BOHAI BANK CO., LTD. (the "Bank") and its subsidiary (the "Group") set out on pages 140 to 271, which comprise the consolidated statement of financial position as at 31 December 2022 and related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statement including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

Key audit matters (Continued)

Loss allowances of loans and advances to customers and consolidated financial investments measured at amortised cost	
<p>Refer to the accounting policies in "Note 3 (5) to the Consolidated Financial Statements: Financial instruments", "Note 4 to the Consolidated Financial Statements: Significant accounting judgements and estimates", "Note 21 to the Consolidated Financial Statements: LOANS AND ADVANCES TO CUSTOMERS" and "Note 22 to the Consolidated Financial Statements: FINANCIAL INVESTMENTS".</p>	
The key audit matter	How the matter was addressed in our audit
<p>The Group's loans and advances to customers and financial investments measured at amortised cost as at 31 December 2022 amounted to RMB1,282,876 million, with loss allowances amounted to RMB35,436 million as at 31 December 2022.</p> <p>The Group uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with International Financial Reporting Standard 9, Financial instruments ("IFRS 9").</p> <p>The Group classifies loans and advances to customers and financial investments measured at amortised cost into three stages. A financial asset is classified as stage one when its credit risk has not increased significantly since its initial recognition; otherwise it is classified as stage two. Stage three applies when a financial asset is credit-impaired. The loss allowance for stage one financial assets is measured at an amount equal to a 12-month ECL. The loss allowance for stage two and stage three financial assets is measured at an amount equal to a lifetime ECL.</p> <p>The loss allowance for loans and advances to customers and financial investments measured at amortised cost, other than those that are credit-impaired, is measured based on probability of default (PD), LGD and exposure at default (EAD), which take into account the historical overdue data, historical loss ratios, internal credit gradings and other adjustment factors.</p>	<p>Our audit procedures to assess the loss allowances of loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> • evaluating the effectiveness of internal controls related to ECL allowance: <ul style="list-style-type: none"> – assessing the key design, implementation and operational effectiveness of internal controls of the credit risk management process. In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the stage classification of loans and advances to customers and financial investments measured at amortised cost; – assessing the operating effectiveness of information system controls, including general information technology control, completeness of key internal historical data, data transmission between systems, mapping of parameters of the ECL model, and system calculation of the ECL allowance with the assistance of our IT audit professionals. • with the assistance of our financial model specialists, assessing the appropriateness of the ECL model, including the reasonableness of probability of default, loss given default, exposure at default, discount rate, forward-looking adjustments and other parameters and key assumptions;

Independent Auditor's Report

Key audit matters *(Continued)*

Loss allowances of loans and advances to customers and financial investments measured at amortised cost <i>(continued)</i>	
<i>Refer to the accounting policies in "Note 3 (5) to the Consolidated Financial Statements: Financial instruments", "Note 4 to the Consolidated Financial Statements: Significant accounting judgements and estimates", "Note 21 to the Consolidated Financial Statements: LOANS AND ADVANCES TO CUSTOMERS" and "Note 22 to the Consolidated Financial Statements: FINANCIAL INVESTMENTS".</i>	
The key audit matter <i>(continued)</i>	How the matter was addressed in our audit <i>(continued)</i>
<p>The loss allowance for credit-impaired loans and advances and financial investments measured at amortised cost are measured using the discounted cash flow method. Management exercises judgement in determining recoverable cash flows based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors.</p> <p>ECLs for loans and advances to customers and financial investments measured at amortised cost is a subjective area due to the degree of judgement applied by management in determining loss allowances. From the Group's perspective, the determination of the loss allowances for loans and advances to customers and financial investments measured at amortised cost is heavily dependent on the external macro economy and the Group's internal credit risk management strategy.</p> <p>We identified the assessment for the ECL allowance as a key audit matter because of the inherent uncertainty and management judgements involved, and because the loss allowance is significant to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • selecting items to assess the appropriateness of the stage classification. We also focused on loans and investments with perceived higher risks and selected items from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage; • assessing the appropriateness of the forecast of recoverable cash flows based on financial information of borrowers and guarantors, latest collateral valuations and other available information for the selected credit-impaired corporate loans and advances and financial investments measured at amortised cost; • recalculating the amount of credit loss allowance based on the above parameters and assumptions for selected loans and advances to customers and financial investments measured at amortised cost; and • evaluating whether the credit risk related disclosures comply with the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (Continued)

Fair value of financial instruments	
<i>Refer to the accounting policies in "Note 3 (5) to the Consolidated Financial Statements: Financial instruments", "Note 4 to the Consolidated Financial Statements: Significant accounting judgements and estimates" and "Note 49 to the Consolidated Financial Statements: FAIR VALUE".</i>	
The key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The Group mainly holds level 2 and level 3 financial instruments measured at fair value. As at 31 December 2022, the carrying amount of the Group's financial assets and liabilities measured at fair value totalled RMB309,339 million and RMB613 million, respectively.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use observable inputs. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the valuation for financial instruments; • for level 2 financial instruments, assessing the reasonableness of the fair values by comparing the observable inputs against external market data on a sample basis; • for level 3 financial instruments, involving our internal valuation specialists, on a sample basis, evaluating the reasonableness of the valuation methods inputs and assumptions adopted by the management, analysing the sensitivities of valuation results to key inputs and assumptions; • assessing whether the disclosures in the consolidated financial statements comply with the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (Continued)

Recognition of interests in and consolidation of structured entities	
<p>Refer to the accounting policies in "Note 3 (1) to the Consolidated Financial Statements: Subsidiary and non-controlling interests", "Note 4 to the Consolidated Financial Statements: Significant accounting judgements and estimates" and "Note 42 to the Consolidated Financial Statements: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES".</p>	
The key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in, or act as a sponsor to, a structured entity, through initiating, investing or retaining shares in a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design and implementation of key internal controls of financial reporting over consolidation of structured entities. • selecting significant structured entities of each key product type: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; – inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; – assessing management's judgement over whether the structured entity should be consolidated or not; and • evaluating the disclosures in the consolidated financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Other information

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

KPMG

Certified Public Accountants

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

29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Interest income		61,602,431	62,518,088
Interest expense		(38,933,892)	(37,338,789)
Net interest income	6	22,668,539	25,179,299
Fee and commission income		3,540,479	3,891,888
Fee and commission expense		(971,257)	(1,654,091)
Net fee and commission income	7	2,569,222	2,237,797
Net trading (losses)/gains	8	(224,543)	280,164
Net gains arising from investment securities	9	1,386,594	1,398,941
Other operating income	10	65,408	98,163
Operating income		26,465,220	29,194,364
Operating expenses	11	(10,900,887)	(10,212,572)
Impairment losses on assets	14	(9,052,879)	(8,677,995)
Profit before taxation		6,511,454	10,303,797
Income tax	15	(403,979)	(1,674,073)
Net profit		6,107,475	8,629,724
Earnings per share			
– Basic and diluted (RMB yuan)	16	0.29	0.43

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Net profit		6,107,475	8,629,724
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	39	190,419	(3,362,294)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets measured at fair value through other comprehensive income	39	(1,521,539)	527,743
Credit losses of financial assets measured at fair value through other comprehensive income	39	1,122,614	(19,268)
Charge from cash flow hedging instruments	39	–	160
Exchange difference on translating foreign operations	39	(16,718)	1,952
Other comprehensive income, net of tax		(225,224)	(2,851,707)
Total comprehensive income		5,882,251	5,778,017

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2022	31 December 2021
Assets			
Cash and deposits with the central bank	17	108,394,184	115,143,453
Deposits with banks and other financial institutions	18	16,074,856	27,730,508
Placements with banks and other financial institutions	19	18,333,936	9,262,262
Derivative financial assets	20	1,211,516	676,154
Loans and advances to customers	21	942,723,216	937,906,589
Financial investments:	22		
– Financial investments measured at fair value through profit or loss		120,542,087	102,377,637
– Financial investments measured at fair value through other comprehensive income		101,487,369	89,218,927
– Financial investments measured at amortised cost		322,504,367	276,034,540
Property and equipment	25	3,740,467	3,585,904
Deferred tax assets	26	13,105,211	10,923,356
Right-of-use assets	27	4,024,889	3,921,702
Other assets	28	7,317,804	5,926,566
Total assets		1,659,459,902	1,582,707,598
Liabilities and equity			
Liabilities			
Borrowing from the central bank	29	117,858,168	78,846,876
Deposits from banks and other financial institutions	30	181,175,967	171,542,080
Placements from banks and other financial institutions	31	29,434,826	60,198,745
Derivative financial liabilities	20	613,173	1,025,842
Financial assets sold under repurchase agreements	32	60,223,721	68,199,110
Deposits from customers	33	863,934,028	835,920,665
Income tax payable		1,124,939	1,224,898
Debt securities issued	34	276,680,991	242,598,064
Lease liabilities	35	4,229,676	4,047,564
Other liabilities	36	14,233,379	12,539,677
Total liabilities		1,549,508,868	1,476,143,521

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2022	31 December 2021
Equity			
Share capital	37	17,762,000	17,762,000
Other equity instruments	38	19,961,604	19,961,604
Other comprehensive income	39	(3,038,853)	(2,813,629)
Capital reserve	40	10,732,077	10,732,077
Surplus reserve	40	7,342,356	6,731,609
General reserve	40	20,245,453	19,496,787
Retained earnings	41	36,946,397	34,693,629
Total equity		109,951,034	106,564,077
Total liabilities and equity		1,659,459,902	1,582,707,598

Li Fu'an
Legal Representative
Chairman of the
Board of Directors

Qu Hongzhi
President
Executive Director

Du Gang
The person in charge
of accounting affairs

Wang Fenglei
The person in charge
of accounting
department

(Company stamp)

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2022		17,762,000	19,961,604	(2,813,629)	10,732,077	6,731,609	19,496,787	34,693,629	106,564,077
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	6,107,475	6,107,475
Other comprehensive income	39	-	-	(225,224)	-	-	-	-	(225,224)
Total comprehensive income		-	-	(225,224)	-	-	-	6,107,475	5,882,251
Appropriation of profit									
- Appropriation to surplus reserve	40	-	-	-	-	610,747	-	(610,747)	-
- Appropriation to general reserve	40	-	-	-	-	-	748,666	(748,666)	-
- Dividend distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)
- Dividends distribution to ordinary shareholders	41	-	-	-	-	-	-	(1,545,294)	(1,545,294)
Balance at 31 December 2022		17,762,000	19,961,604	(3,038,853)	10,732,077	7,342,356	20,245,453	36,946,397	109,951,034

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2021		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	8,629,724	8,629,724
Other comprehensive income	39	-	-	(2,851,707)	-	-	-	-	(2,851,707)
Total comprehensive income		-	-	(2,851,707)	-	-	-	8,629,724	5,778,017
Appropriation of profit									
- Appropriation to surplus reserve	40	-	-	-	-	862,972	-	(862,972)	-
- Appropriation to general reserve	40	-	-	-	-	-	1,831,976	(1,831,976)	-
- Dividend distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)
- Dividends distribution to ordinary shareholders	41	-	-	-	-	-	-	(1,509,770)	(1,509,770)
Balance at 31 December 2021		17,762,000	19,961,604	(2,813,629)	10,732,077	6,731,609	19,496,787	34,693,629	106,564,077

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December		
	Note	2022	2021
Cash flows from operating activities			
Profit before taxation		6,511,454	10,303,797
<i>Adjustments for</i>			
Impairment losses on assets		9,052,879	8,677,995
Depreciation and amortisation		1,628,498	1,398,491
Net gains arising from investment securities		(1,386,594)	(1,398,941)
Interest expense on debts securities issued		7,071,366	8,095,150
Net trading losses/(gains)		224,543	(280,164)
Interest income arising from financial investments		(12,523,760)	(11,754,529)
Interest expense on lease liabilities		162,733	141,067
Net gains on disposal of property and equipment and other long-term assets		(1,735)	(351)
		10,739,384	15,182,515
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with banks and other financial institutions with maturity over 3 months		400,001	(100,000)
Net decrease/(increase) in deposits with the central bank		3,654,724	(3,436,163)
Net increase in placement with banks and other institutions		(8,250,000)	(6,020,000)
Net decrease/(increase) in financial assets held for trading		592,427	(6,472,344)
Net increase in loans and advances to customers		(8,914,360)	(81,742,417)
Net (increase)/decrease in other operating assets		(785,506)	2,689,770
		(13,302,714)	(95,081,154)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		38,495,000	7,300,000
Net increase in deposits from banks and other financial institutions		9,617,167	40,469,986
Net (decrease)/increase in placements from banks and other financial institutions		(30,709,771)	28,140,506
Net (decrease)/increase in financial assets sold under repurchase agreements		(7,928,876)	15,790,284
Net increase in deposits from customers		23,284,538	73,863,374
Net (decrease)/increase in other operating liabilities		(747,347)	1,564,275
		32,010,711	167,128,425
Net cash flows generated from operating activities before taxation		29,447,381	87,229,786
Income tax paid		(2,616,404)	(4,242,099)
Net cash flows generated from operating activities		26,830,977	82,987,687

The notes on pages 147 to 271 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Cash flows from investing activities			
Proceeds from disposal sale and redemption of investments		679,593,373	410,355,276
Proceeds received from investment activities		12,317,288	9,363,603
Proceeds from disposal of property and equipment and other assets		1,735	415
Payments on acquisition of investments		(756,288,734)	(495,219,913)
Payments on acquisition of property and equipment, intangible assets and other assets		(868,759)	(569,635)
Net cash flows used in investing activities		(65,245,097)	(76,070,254)
Cash flows from financing activities			
Proceeds from debt securities issued		375,201,325	405,497,295
Repayment of debt securities issued		(341,457,290)	(389,013,679)
Interest paid on debt securities issued		(6,732,474)	(7,134,792)
Dividends payments to equity and other equity instruments holders		(2,495,294)	(2,459,770)
Repayment of capital element of lease liabilities		(1,110,336)	(1,011,499)
Net cash flows generated from financing activities		23,405,931	5,877,555
Effect of foreign exchange rate changes on cash and cash equivalents		1,250,374	(707,096)
Net (decrease)/increase in cash and cash equivalents	45(a)	(13,757,815)	12,087,892
Cash and cash equivalents as at 1 January		76,843,021	64,755,129
Cash and cash equivalents as at 31 December	45(b)	63,085,206	76,843,021
Interest received		61,905,848	62,373,588
Interest paid (excluding interest expense on debt securities issued)		(37,023,701)	(33,958,631)

The notes on pages 147 to 271 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

CHINA BOHAI BANK CO., LTD. (the “Bank”) is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank has been approved by the former China Banking Regulatory Commission (the “CBRC”) to hold financial business permit (No. B0017H112000001) and approved by the Tianjin Administration for Market Regulation for the business license (No. 911200007109339563).

On 16 July 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 9668).

The Bank commenced its operation on 16 February 2006. As at 31 December 2022, the Bank has established 36 tier-one branches (including Suzhou, Qingdao and Ningbo Branches under direct management of the Head Office and and 1 overseas branch), 33 tier-two branches, and 245 sub-branches in 65 major cities and a Special Administrative Region including Tianjin, Beijing, Hangzhou, Taiyuan, Chengdu, Jinan, Shanghai, Shenzhen, Nanjing, Dalian, Guangzhou, Changsha, Shijiazhuang, Wuhan, Hohhot, Suzhou, Fuzhou, Hefei, Zhengzhou, Xi’an, Changchun, Chongqing, Shenyang, Xiamen, Haikou, Qingdao, Ningbo, Nanning, Nanchang, Guiyang, Kunming and Hong Kong. The total number of outlets reached 336, including 314 branches and sub-branches, and 22 small and micro community sub-branches.

The principal activities of the Bank include absorbing public deposits; offering short-term, medium term and long-term loans; arranging settlement of domestic and international accounts; handling accept and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by financial institutions and government; inter-bank borrowing and lending; trading of foreign currencies on behalf of its customers; selling and purchasing foreign exchange, bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments; acting as an insurance agent, safe-deposit facilities, derivative trading, securities investment custody, insurance fund custody, selling securities investment fund and other business approved by the banking regulatory institutions of the State Council. (For projects subject to approval according to the law, business activities can only be carried out after approval by relevant departments)

According to the “Approval from the China Banking and Insurance Regulatory Commission on the Opening of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司)”, the Bank established its wholly owned subsidiary CBHB Wealth Management Co., Ltd. with a registered capital of RMB2 billion. The approved business scope of CBHB Wealth Management Co., Ltd. includes public issuance of financial products to the non-specific public, investment and management of entrusted investor property, non-public issuance of wealth management products to qualified investors, investment and management of entrusted investor property, consultancy and advisory services and other business as approved by the banking regulatory body of The State Council. The Bank and its subsidiaries are collectively referred to as the “Group”.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Basis of preparation

(1) Statement of compliance

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

(2) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

(3) Change in accounting policies

Except as described below, the accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

The IASB has issued the following amendments to IFRSs (including IASs) that are first effective for the current accounting period of the Group.

Amendments to IFRS 3
Amendments to IAS 16
Amendments to IAS 37
Amendments to IFRS 1,
IFRS 9, IFRS 16 and IAS 41

Reference to the Conceptual Framework
Property, Plant and Equipment – Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020

The adoption of the amendments has no material impact on the financial position and the financial performance of the Group.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies

(1) Subsidiary and non-controlling interests

Subsidiary are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Bank's statement of financial position, long-term equity investment in subsidiary are accounted for using the cost method for subsequent measurement. Dividends declared by subsidiary are recognized in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments. In the Bank's statement of financial position, interests in subsidiary are accounted for using the cost less impairment losses (see Note 3(14)).

(2) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(14)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(2) Associates and joint ventures *(Continued)*

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

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

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

(3) Translation of foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rate at the date of the statement of financial position.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from equity investments in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income (Note 3(5)) recognised in other comprehensive income.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(5) Financial instruments

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

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

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

(b) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(b) Classification of financial assets (Continued)

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

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

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

The Group assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(c) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial assets (Continued)

– Debt instruments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(d) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

– Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Other financial liabilities

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

(e) Impairment of financial instruments

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

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI;
- Credit commitments other than the financial liabilities at fair value through profit or loss.

Financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(5) Financial instruments *(Continued)*

(e) Impairment of financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

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

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

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the date of the statement of financial position (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance. Refer to Note 48 (a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognised as loss allowance.

ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the date of the statement of financial position.

Please refer to Note 48(a) for the measurement of expected credit losses of the Group.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(5) Financial instruments *(Continued)*

(e) Impairment of financial instruments (Continued)

Presentation of allowance for ECL

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

Write-off

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

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

(f) Determination of fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. The quoted price in the active market should be readily and regularly available from independent sources (e.g. the exchange, broker, industry group or pricing service agency) with prudent utilisation of purchase price, selling price and middle price. The Group should use market valuation method for fair value assessment as much as is feasible, which represents the prices in actual and regularly market transactions on an arm's length basis.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(5) Financial instruments *(Continued)*

(f) Determination of fair value of financial assets and financial liabilities (Continued)

If there is no active market for a financial instrument, appropriate valuation techniques will be used to establish the fair value. Valuation techniques include referencing the price of recent market transactions between well-informed voluntary parties; reference to the current fair value of other instruments that are substantially the same; discounted cash flow model and referencing the valuation results of the third-party valuation agencies. The Group selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting periods. When referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed. Where other pricing models are used, inputs are based on market data at the end of each of the reporting periods.

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

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price as much as possible, and incorporates these into its chosen valuation technique and tests for validity using prices from any observable current market transactions in the same instruments. Observable data is given priority to unobservable data unless it is unpractical or unavailable.

(g) Derecognition of financial assets and financial liabilities

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

- the contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(5) Financial instruments *(Continued)*

(g) Derecognition of financial assets and financial liabilities (Continued)

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

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

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

(h) Offsetting

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

- The Group currently has a legally enforceable right to set off the recognised amounts.
- The Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(6) Perpetual Bonds

At initial recognition, the Group classifies the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(7) Derivatives and hedge accounting

Derivatives

A derivative is a financial instrument or financial contract that meets the following criteria:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in those market factors; and
- it is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives with a positive fair value are reflected in the balance sheet as derivative financial instrument assets and those with a negative fair value as derivative financial instrument liabilities. The gains or losses from the valuation of the financial instruments as a result of the fluctuation of their fair value are recorded in the statement of profit or loss.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(7) Derivatives and hedge accounting *(Continued)*

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

(8) Financial assets held under resale and repurchase agreements

Financial assets purchased under resale agreements are bonds, loans and bills purchased by the Group at certain prices from the sellers under agreements with the commitment to resell these instruments to the original sellers in the future at predetermined prices. Financial assets sold under repurchase agreements refer to bonds, loans and bills sold by the Group at certain prices under agreements with the commitment to buy back these instruments in the future at predetermined prices.

The assets purchased under resale agreements are not recognised, and the payments (including accrued interest) are recognised as receivables on the statement of financial position and are carried at amortised cost. Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds (including accrued interest) from the sale are reported as liabilities and are carried at amortised cost.

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

(9) Property and equipment and construction in progress

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

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 3(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 3(14)).

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)***(9) Property and equipment and construction in progress** *(Continued)*

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

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

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

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

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

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	5.00%	4.75%
Leasehold improvements	Shorter of useful life or remaining lease term	–	–
Operating equipment	5 years	–	20.00%
Motor vehicle	5 years	5.00%	19.00%

Useful lives, residual values and depreciation methods of the Group are reviewed at least at each year-end.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(10) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessee

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

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

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

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

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

- fix payment, including in substance fix payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(10) Leases *(Continued)*

(a) As a lessee (Continued)

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

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

Short-term leases and leases of low-value assets

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

(b) As a lessor

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(11) Land use rights

Land use rights are initially recognised at costs and amortised using the straight-line basis over the legal term of use through profit and loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 3(14).

(12) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 3(14)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets of the Group are as follows:

Computer software and system	3 – 5 years
------------------------------	-------------

(13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(14) Provision for impairment losses on non-financial assets

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

- Property and equipment
- Construction in progress
- Land use rights
- Intangible assets
- Long-term equity investments

Non-financial assets of the Group that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(14) Provision for impairment losses on non-financial assets *(Continued)*

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

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

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

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

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

(15) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. Short-term employee benefits are recognised as liabilities in the accounting period in which the service is rendered by the employees based on the amounts paid or the statutory provisioning basis or ratio, with corresponding amounts charged to the profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(15) Employee benefits *(Continued)*

The Group's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. The social pension schemes and unemployment insurance are calculated according to the base and proportion stipulated by the nation, and the annuity plan is calculated according to a certain proportion of the employees' total wages in the previous year. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss.

(16) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(16) Income tax *(Continued)*

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

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(17) Financial guarantees, provisions and contingent liabilities

(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

In terms of off-balance sheet credit commitment, the Group applies expected credit loss model to measure the loss caused by particular debtors incapable of paying due debts, which is present in provisions. See Note 3(5)(e) for the description of expected credit loss model.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(17) Financial guarantees, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

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

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

(18) Fiduciary activities

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

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

(19) Income recognition

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

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(19) Income recognition *(Continued)*

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

(i) Interest income

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

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

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

(ii) Fee and commission income

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(19) Income recognition *(Continued)*

(iii) Government grants

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

(iv) Other income

Other income is recognised on an accrual basis.

(20) Expenses recognition

(i) Interest expense

Interest expense from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(21) Dividends

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

(22) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Significant accounting policies *(Continued)*

(22) Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(23) Segment reporting

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

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Significant accounting judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 48(a).

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48 (a) credit risk.

(2) Fair value of financial instruments

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

(3) Income taxes

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Significant accounting judgements and estimates *(Continued)*

(4) Impairment of non-financial assets

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

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

(5) Depreciation and amortisation

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

(6) Determination of control over investees

The Group applies its judgement to determine whether the control indicators set out Note 3(1) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Impact of issued but not yet effective international financial reporting standards

The revised and new accounting standards and interpretations but not yet effective for the year ended 31 December 2022, are set out below:

	Effective for accounting period beginning on or after
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 (2020), <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1 (2022), <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	The effective date has now been deferred indefinitely

The Group has not adopted any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net interest income

	Years ended 31 December	
	2022	2021
Interest income arising from		
Deposits with the central bank	972,867	1,009,503
Deposits with banks and other financial institutions	263,123	283,696
Placements with banks and other financial institutions	664,333	312,392
Loans and advances to customers		
– Corporate loans and advances	24,797,924	25,548,884
– Personal loans	20,712,310	21,465,193
– Discounted bills	1,516,242	1,756,128
Financial assets held under resale agreements	151,872	387,763
Financial investments	12,523,760	11,754,529
Sub-total	61,602,431	62,518,088
Interest expense arising from		
Borrowing from the central bank	(2,853,687)	(2,102,752)
Deposits from banks and other financial institutions	(5,740,662)	(5,544,708)
Placements from banks and other financial institutions	(624,212)	(577,466)
Deposits from customers	(21,859,585)	(20,257,631)
Financial assets sold under repurchase agreements	(784,380)	(761,082)
Debt securities issued	(7,071,366)	(8,095,150)
Sub-total	(38,933,892)	(37,338,789)
Net interest income	22,668,539	25,179,299

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net fee and commission income**(a) Income and expense streams:**

	Years ended 31 December	
	2022	2021
Fee and commission income		
Agency service fees	1,372,060	1,761,457
Settlement and clearing fees	902,803	738,739
Credit commitments and asset management fees	425,453	349,691
Custodian service fees	400,290	501,052
Consulting service fees	188,593	401,420
Bank card fees	115,328	71,262
Others	135,952	68,267
Sub-total	3,540,479	3,891,888
Fee and commission expense		
Information service fees	(702,598)	(1,386,952)
Agency service fees	(85,821)	(79,141)
Settlement and clearing fees	(52,740)	(54,790)
Consulting service fees	(51,742)	(57,190)
Bank card fees	(42,120)	(49,548)
Others	(36,236)	(26,470)
Sub-total	(971,257)	(1,654,091)
Net fee and commission income	2,569,222	2,237,797

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net fee and commission income (Continued)**(b) Disaggregation of income:**

	Years ended 31 December			
	2022		2021	
	At a point in time	Over time	At a point in time	Over time
Agency service fees	475,039	897,021	498,279	1,263,178
Settlement and clearing fees	1,738	901,065	1,847	736,892
Custodian service fees	–	400,290	–	501,052
Credit commitments and asset management fees	30,712	394,741	29,113	320,578
Consulting service fees	–	188,593	–	401,420
Bank card fees	114,621	707	71,212	50
Others	12,090	123,862	12,608	55,659
Total	634,200	2,906,279	613,059	3,278,829

8 Net trading (losses)/gains

	Years ended 31 December	
	2022	2021
Exchange losses	(1,305,907)	(344,712)
Net gains/(losses) from derivative instruments	894,876	(29,801)
Net gains from debt securities	302,744	293,309
Net losses from trading of precious metals	(186,686)	(89,932)
Net gains from loans and advances at fair value through profit or loss	76,403	21,581
Net (losses)/gains from equity investment	(5,973)	429,719
Total	(224,543)	280,164

9 Net gains arising from investment securities

	Years ended 31 December	
	2022	2021
Net gains of financial investments at fair value through profit or loss	909,003	1,048,073
Net gains of financial investments at fair value through other comprehensive income	207,642	85,496
Dividend income	48,000	15,600
Net gains on disposal of financial investments at amortised cost	221,949	249,772
Total	1,386,594	1,398,941

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Other operating income

	Years ended 31 December	
	2022	2021
Government grants	46,522	57,407
Rental income	8,484	14,534
Long-term unwithdrawn items income	7,957	3,686
Net gains on disposal of property and equipment	391	396
Others	2,054	22,140
Total	65,408	98,163

11 Operating expenses

	Years ended 31 December	
	2022	2021
Staff costs		
– Salaries, bonuses and allowances	4,130,074	4,150,239
– Social insurance and annuity	938,764	835,925
– Housing allowances	527,874	478,349
– Staff welfares	252,685	226,344
– Employee education expenses and labour union expenses	129,777	135,856
– Others	263,723	216,166
Sub-total	6,242,897	6,042,879
Depreciation and amortisation	1,628,498	1,398,491
Taxes and surcharges	443,177	426,707
Interest expense on lease liabilities	162,733	141,067
Auditors' remuneration	6,243	5,250
Other general and administrative expenses	2,417,339	2,198,178
Total	10,900,887	10,212,572

Expenses relating to short-term leases and leases of low-value assets amounted to RMB63 million and RMB38 million for the year ended 31 December 2022 and 2021, respectively.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments

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

Year ended 31 December 2022							
Notes	Fees	Salaries	Discretionary bonus	Housing funds And social insurances	Annuities	Others	Total
Executive directors							
	-	232	894	161	18	1	1,306
	-	1,184	794	202	142	-	2,322
	-	947	657	139	90	-	1,833
(a)	-	947	1,479	202	142	-	2,770
(c)	-	64	56	51	20	-	191
Non-executive directors							
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
(e)	-	-	-	-	-	-	-
(d)	-	-	-	-	-	-	-
(f)	-	-	-	-	-	-	-
Independent non-executive directors							
	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
(g)	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
(b)	-	-	-	-	-	-	-
Supervisors							
	-	232	589	202	70	1	1,094
	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
	350	-	-	-	-	-	350
(h)	-	531	1,419	202	142	1	2,295
Total	3,150	4,137	5,888	1,159	624	3	14,961

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments (Continued)

Year ended 31 December 2021								
	Notes	Fees	Salaries	Discretionary bonus	Housing funds And social insurances	Annuities	Others	Total
Executive directors								
Li Fu'an		–	226	–	196	97	2	521
Qu Hongzhi		–	854	596	196	74	3	1,723
Li Yi	(c)	–	421	576	196	76	3	1,272
Du Gang		–	683	446	109	62	3	1,303
Non-executive directors								
Fung Joi Lun Alan		–	–	–	–	–	–	–
Wang zhiyong	(e)	–	–	–	–	–	–	–
Cui Xuesong	(d)	–	–	–	–	–	–	–
Yuan Wei		–	–	–	–	–	–	–
Ye Baishou		–	–	–	–	–	–	–
Hu Aimin		–	–	–	–	–	–	–
Zhang Xifang	(f)	–	–	–	–	–	–	–
Zhang Yunji		–	–	–	–	–	–	–
Zhang Bingjun	(i)	–	–	–	–	–	–	–
Independent non-executive directors								
Mao Zhenhua		535	–	–	–	–	–	535
Chi Guotai		534	–	–	–	–	–	534
Mu Binrui		535	–	–	–	–	–	535
Tse Yat Hong		535	–	–	–	–	–	535
Wang Ren	(g)	535	–	–	–	–	–	535
Zhu Ning		534	–	–	–	–	–	534
Supervisors								
Wang Chunfeng		–	226	645	187	66	3	1,127
Qi Ershi		535	–	–	–	–	–	535
Diao Qinyi		535	–	–	–	–	–	535
Hui Yung Chris		535	–	–	–	–	–	535
Ma Shuming	(h)	–	399	244	83	55	3	784
Feng Jiankuan	(j)	–	105	–	–	–	–	105
Fan Zhigui	(k)	–	469	848	72	33	–	1,422
Total		4,813	3,383	3,355	1,039	463	17	13,070

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Bank, or inducement to join the Bank.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments *(Continued)*

According to relevant regulations of the state, the discretionary bonus of the executive directors and some supervisors of the Bank shall implement the deferred payment policy of performance salary, and the deferred payment period shall be no less than three years. The above amount includes the discretionary bonus paid in the current year in the previous year.

Notes:

- (a) On 28 July 2022, Zhao Zhihong was appointed as executive director of the Bank.
- (b) On 31 October 2022, Shum Siu Hung Patrick was appointed as independent non-executive director of the Bank.
- (c) On 29 March 2022, Li Yi resigned as executive director of the Bank.
- (d) On 29 March 2022, Cui Xuesong resigned as non-executive director of the Bank.
- (e) On 22 October 2021, Wang Zhiyong was appointed as non-executive director of the Bank. On 21 April 2022, Wang Zhiyong resigned as non-executive director of the Bank.
- (f) On 21 April 2022, Zhang Xifang resigned as non-executive director of the Bank.
- (g) On 31 October 2022, Wang Ren resigned as independent non-executive director of the Bank.
- (h) On 18 August 2021, Ma Shuming was appointed as employee representative supervisors of the Bank.
- (i) On 29 March 2021, Zhang Bingjun resigned as non-executive director of the Bank.
- (j) On 31 March 2021, Feng Jiankuan resigned as employee representative supervisors of the Bank.
- (k) On 18 August 2021, Fan Zhigui resigned as employee representative supervisors of the Bank.

13 Individuals with highest emoluments

For the years ended 31 December 2022, the five individuals with highest emoluments paid did not include any directors and supervisors of the Bank.

The emoluments paid to the five highest paid individuals for the years ended 31 December 2022 are as follows:

	Years ended 31 December	
	2022	2021
Salaries and other emoluments	6,469	5,993
Discretionary bonuses	15,347	18,068
Housing funds and social insurances	770	695
Annuities	506	561
Others	53	26
Total	23,145	25,343

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Individuals with highest emoluments *(Continued)*

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

	Years ended 31 December	
	2022	2021
HKD4,500,001 – 5,000,000	2	–
HKD5,000,001 – 5,500,000	1	3
HKD5,500,001 – 6,000,000	1	–
HKD6,000,001 – 6,500,000	1	–
HKD6,500,001 – 7,000,000	–	1
HKD7,000,001 – 7,500,000	–	–
HKD7,500,001 – 8,000,000	–	1

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

14 Impairment losses on assets

	Years ended 31 December	
	2022	2021
Deposits with banks and other financial institutions	(11,248)	(338)
Placements with banks and other financial institutions	13,098	21,043
Loans and advances to customers	8,123,815	7,515,545
Financial investments	303,891	1,653,834
Credit commitments	(49,384)	(525,704)
Others receivables	672,707	13,615
Total	9,052,879	8,677,995

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Income tax expense**(a) Income tax expense:**

	Note	Years ended 31 December	
		2022	2021
Current tax		2,516,445	2,981,592
Deferred tax	26(b)	(2,112,466)	(1,307,519)
Total		403,979	1,674,073

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

	Note	Years ended 31 December	
		2022	2021
Profit before taxation		6,511,454	10,303,797
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,627,864	2,575,949
Non-deductible expenses		542,618	314,746
Non-taxable income	(i)	(1,529,756)	(977,317)
Deductible undated capital bonds interest expense		(237,500)	(237,500)
Others		753	(1,805)
Income tax		403,979	1,674,073

- (i) The non-taxable income mainly represents the interest income arising from the the People's Republic of China ("PRC") government bonds, municipal debts, and dividend income from funds.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Basic and diluted earnings per share

	Note	Years ended 31 December	
		2022	2021
Profit attributable to equity holders of the Bank		6,107,475	8,629,724
Less: Interest on undated capital bonds declared		(950,000)	(950,000)
Profit attributable to ordinary equity holders of the Bank		5,157,475	7,679,724
Weighted average number of ordinary shares in issue (in thousands)	(a)	17,762,000	17,762,000
Basic and diluted earnings per share (in RMB)		0.29	0.43

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

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

	Years ended 31 December	
	2022	2021
Number of ordinary shares at the beginning of the year	17,762,000	17,762,000
Weighted average number of ordinary shares issued during the year	–	–
Weighted average number of ordinary shares	17,762,000	17,762,000

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Cash and deposits with the central bank

	Note	31 December	
		2022	2021
Cash on hand		503,504	443,231
Deposits with the central bank			
– Statutory deposit reserves	(a)	62,453,533	65,845,978
– Surplus deposit reserves	(b)	45,085,427	48,243,464
– Fiscal deposits		320,029	582,308
Sub-total		107,858,989	114,671,750
Interests accrued		31,691	28,472
Total		108,394,184	115,143,453

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

	31 December	
	2022	2021
Reserve ratio for RMB deposits	7.5%	8.0%
Reserve ratio for foreign currency deposits	6.0%	9.0%

The Bank's subsidiary places statutory deposit reserves with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business.

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	31 December	
	2022	2021
Deposits in Mainland China		
– Banks	12,019,090	13,449,264
Sub-total	12,019,090	13,449,264
Deposits outside Mainland China		
– Banks	4,231,329	14,466,118
Sub-total	4,231,329	14,466,118
Interests accrued	10,853	12,400
Less: Provision for impairment losses	(186,416)	(197,274)
Total	16,074,856	27,730,508

19 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	31 December	
	2022	2021
Placements in Mainland China		
– Banks	14,244,440	8,170,000
– Other financial institutions	3,000,000	–
Sub-total	17,244,440	8,170,000
Placements outside Mainland China		
– Banks	829,162	1,048,691
Sub-total	829,162	1,048,691
Interests accrued	368,549	138,459
Less: Provision for impairment losses	(108,215)	(94,888)
Total	18,333,936	9,262,262

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	203,353,923	34,495	(32,018)
Exchange rate swaps	34,618,545	635,722	(202,165)
Exchange rate forwards	52,699,856	471,433	(371,794)
Precious metal derivatives	3,319,785	69,866	(7,196)
Total	293,992,109	1,211,516	(613,173)

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	201,286,476	47,291	(38,405)
Exchange rate swaps	59,174,936	17,386	(356,177)
Exchange rate forwards	43,299,707	577,205	(521,346)
Precious metal derivatives	2,748,971	6,134	(84,366)
Option contracts	1,676,974	28,138	(25,548)
Total	308,187,064	676,154	(1,025,842)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers**(a) Analysed by nature**

	31 December	
	2022	2021
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	533,436,950	536,715,503
Personal loans		
– Residential and commercial housing loans	179,624,947	191,493,666
– Personal consumption loans	104,693,328	103,737,632
– Personal business loans	52,217,381	46,185,939
Sub-total	336,535,656	341,417,237
Interests accrued	9,338,023	5,296,053
Less: Provision for loans and advances to customers measured at amortised cost	(23,831,785)	(22,744,711)
Sub-total	855,478,844	860,684,082
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	85,532,135	76,698,756
Loans and advances to customers measured at fair value through profit or loss:		
Corporate loans and advances	1,712,237	523,751
Net loans and advances to customers	942,723,216	937,906,589

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector**

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	187,018,161	19.54%	38,997,806
Real estate	92,621,820	9.68%	64,588,110
Manufacturing	82,907,974	8.66%	42,923,287
Water conservancy, environment and public facilities management	60,278,167	6.30%	7,758,514
Wholesale and retail	35,853,747	3.75%	14,229,236
Construction	25,013,619	2.61%	13,398,839
Transportations and communications, storage and post	12,309,380	1.29%	4,093,275
Production and supply of electricity, heat, gas and water	10,304,895	1.08%	861,100
Mining	7,873,478	0.82%	83,490
Finance	7,355,225	0.77%	685,350
Agriculture, forestry, animal husbandry and fishery	3,242,134	0.34%	779,770
Information transmission, software and IT services	2,103,520	0.22%	666,366
Scientific research and technical services	2,070,561	0.22%	591,804
Others	6,196,506	0.62%	1,944,692
Sub-total of corporate loans and advances	535,149,187	55.90%	191,601,639
Personal loans	336,535,656	35.16%	197,361,044
Discounted bills	85,532,135	8.94%	85,532,135
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector** (Continued)

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	180,718,892	18.91%	43,672,995
Manufacturing	100,507,008	10.52%	68,220,265
Real estate	75,817,353	7.94%	50,743,098
Water conservancy, environment and public facilities management	60,174,126	6.30%	8,385,579
Wholesale and retail	44,945,025	4.70%	26,799,020
Construction	26,574,895	2.78%	16,974,625
Transportations and communications, storage and post	13,109,144	1.37%	6,040,052
Production and supply of electricity, heat, gas and water	9,554,863	1.00%	599,123
Mining	8,745,021	0.92%	–
Finance	5,805,897	0.61%	813,149
Agriculture, forestry, animal husbandry and fishery	2,049,445	0.21%	220,900
Information transmission, software and IT services	1,577,679	0.17%	534,931
Scientific research and technical services	1,642,644	0.17%	607,355
Others	6,017,262	0.63%	2,028,410
Sub-total of corporate loans and advances	537,239,254	56.23%	225,639,502
Personal loans	341,417,237	35.74%	205,677,804
Discounted bills	76,698,756	8.03%	76,698,756
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector** (Continued)

As at the end of the reporting period and during the year, detailed information of the credit-impaired loans and advances to customers (exclusive interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2022					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	1,489,632	(1,562,065)	(2,262,587)	(428,055)	(1,781,421)	574,563

	31 December 2021					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	1,645,285	(1,491,461)	(846,091)	(708,298)	(630,825)	77,936
Real estate	3,112,072	(597,904)	(724,159)	(1,503,984)	(730,842)	1,906,061

(c) Analysed by geographical sector (exclusive interests accrued)

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeast China	426,563,367	44.57%	182,666,759
Eastern China	222,939,866	23.29%	115,582,945
Central and Southern China	224,585,557	23.46%	135,345,749
Western China	83,128,188	8.68%	40,899,365
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(c) Analysed by geographical sector (exclusive interests accrued)** (Continued)

31 December 2021			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeast China	395,136,402	41.36%	181,452,426
Eastern China	240,292,222	25.15%	126,241,782
Central and Southern China	232,967,007	24.39%	156,632,480
Western China	86,959,616	9.10%	43,689,374
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

The geographical areas are categorized as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch, Kunming Branch.

(d) Analysed by type of collateral (exclusive interests accrued)

31 December		
	2022	2021
Unsecured loans	186,985,421	174,499,677
Guaranteed loans	295,736,739	272,839,508
Collateralised loans	307,784,561	303,198,889
Pledged loans	166,710,257	204,817,173
Gross loans and advances to customers	957,216,978	955,355,247

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(e) Overdue loans (exclusive interests accrued) analysed by overdue period**

	31 December 2022				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,962,900	2,446,864	2,097,070	140,669	8,647,503
Guaranteed loans	4,415,882	992,612	2,432,171	727,104	8,567,769
Collateralised loans	3,367,552	1,007,064	2,561,508	953,305	7,889,429
Pledged loans	472,008	97,712	928,843	47,209	1,545,772
Total	12,218,342	4,544,252	8,019,592	1,868,287	26,650,473
As a percentage of gross loans and advances to customers	1.28%	0.47%	0.84%	0.20%	2.79%

	31 December 2021				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,983,672	1,900,715	1,465,311	97,860	7,447,558
Guaranteed loans	8,968,902	2,434,814	1,363,615	1,215,744	13,983,075
Collateralised loans	6,554,421	1,069,971	2,608,396	642,216	10,875,004
Pledged loans	4,503,149	880,962	818,810	47,209	6,250,130
Total	24,010,144	6,286,462	6,256,132	2,003,029	38,555,767
As a percentage of gross loans and advances to customers	2.51%	0.66%	0.65%	0.21%	4.03%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day (inclusive) or more.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(f) Loans and advances (exclusive interests accrued) and provision for impairment losses**

	31 December 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	815,507,987	37,663,535	16,801,084	869,972,606
Less: Provision for impairment losses	(6,876,826)	(7,063,246)	(9,891,713)	(23,831,785)
Carrying amount of loans and advances to customers measured at amortised cost	808,631,161	30,600,289	6,909,371	846,140,821
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	85,526,348	–	5,787	85,532,135
	31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	831,491,740	29,806,453	16,834,547	878,132,740
Less: Provision for impairment losses	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Carrying amount of loans and advances to customers measured at amortised cost	823,657,116	24,913,299	6,817,614	855,388,029
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	76,698,756	–	–	76,698,756

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(g) Movements of provision for impairment losses****(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:**

	Year ended 31 December 2022			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	7,834,624	4,893,154	10,016,933	22,744,711
Transferred:				
– to expected credit losses over the next 12 months	153,371	(149,697)	(3,674)	–
– to lifetime expected credit losses: not credit-impaired loans	(522,813)	522,813	–	–
– to lifetime expected credit losses: credit-impaired loans	(19,415)	(659,719)	679,134	–
(Reversal)/charge for the year	(582,959)	2,456,695	4,799,384	6,673,120
Transfer out	–	–	(642,147)	(642,147)
Recoveries	–	–	256,775	256,775
Write-offs	–	–	(5,220,329)	(5,220,329)
Exchange differences and other	14,018	–	5,637	19,655
As at 31 December	6,876,826	7,063,246	9,891,713	23,831,785
	Year ended 31 December 2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	9,664,387	7,228,243	7,933,218	24,825,848
Transferred:				
– to expected credit losses over the next 12 months	34,216	(34,216)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(242,370)	242,370	–	–
– to lifetime expected credit losses: credit-impaired loans	(43,298)	(3,026,328)	3,069,626	–
(Reversal)/charge for the year	(1,569,250)	483,085	8,641,457	7,555,292
Transfer out	–	–	(3,471,058)	(3,471,058)
Recoveries	–	–	161,633	161,633
Write-offs	–	–	(6,316,008)	(6,316,008)
Exchange differences and other	(9,061)	–	(1,935)	(10,996)
As at 31 December	7,834,624	4,893,154	10,016,933	22,744,711

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)**(g) Movements of provision for impairment losses** (Continued)**(ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:**

	Year ended 31 December 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	87,437	-	-	87,437
Transferred:				
- to lifetime expected credit losses: credit-impaired loans	(4,087)	-	4,087	-
(Reversal)/charge for the year	(15,559)	-	1,466,254	1,450,695
As at 31 December	67,791	-	1,470,341	1,538,132

	Year ended 31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	127,184	-	-	127,184
Reversal for the year	(39,747)	-	-	(39,747)
As at 31 December	87,437	-	-	87,437

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

(h) Disposal of loans and advances to customers

During the years ended 31 December 2022 and 2021, the Group transferred loans and advances with gross amount of RMB734 million and RMB160 million to independent third parties, and the transfer price was RMB640 million and RMB17 million.

The Group enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. In 2022, the amount at the time of transfer of the loans was RMB865 million (2021: RMB1,555 million) (Note 43).

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial investments

	Note	31 December	
		2022	2021
Financial investments measured at fair value through profit or loss	(a)	120,542,087	102,377,637
Financial investments measured at fair value through other comprehensive income	(b)	101,487,369	89,218,927
Financial investments measured at amortised cost	(c)	322,504,367	276,034,540
Total		544,533,823	467,631,104

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

	Note	31 December	
		2022	2021
Debt securities	(i)		
– Government		1,046,144	3,424,829
– Policy banks		3,180,539	2,092,809
– Banks and other financial institutions		50,459	–
– Corporates		7,625,284	7,650,373
Sub-total		11,902,426	13,168,011
– Unlisted		11,902,426	13,168,011
Interbank deposits			
– Unlisted		2,393,073	1,752,105
Investment funds			
– Unlisted		64,085,548	58,080,079
Equity investments			
– Listed outside Hong Kong		675,435	514,335
– Unlisted		3,299,887	3,299,833
Trust plans and asset management plans			
– Unlisted		38,185,718	25,563,274
Total		120,542,087	102,377,637

Note:

- (i) As at 31 December 2022 and 2021, certain debt securities were pledged for borrowings from the central bank (Note 51(e)).

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	Note	31 December	
		2022	2021
Debt securities	(i)		
– Government		50,286,384	48,571,904
– Policy banks		36,424,630	31,292,651
– Banks and other financial institutions		10,422,032	5,505,633
– Corporate		5,975	20,008
Interests accrued		1,146,008	1,018,191
Sub-total		98,285,029	86,408,387
– Unlisted		98,285,029	86,408,387
Interbank deposits			
– Unlisted		137,907	–
Equity investments			
– Unlisted	(ii)	3,064,433	2,810,540
Total		101,487,369	89,218,927

Note:

- (i) As at 31 December 2022 and 2021, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 51(e)).
- (ii) Dividends income from equity investments designated as fair value through other comprehensive income (“FVOCI”) during the year ended 31 December 2022 and 2021 was RMB48.0 million and RMB15.6 million, respectively, which was included in the profit or loss. The Group did not dispose such equity investments during the reporting periods, and there was no cumulative gain or loss transferred from other comprehensive income to retained earnings.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial investments *(Continued)***(b) Financial investments measured at fair value through other comprehensive income** *(Continued)*Note: *(Continued)*

- (iii) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income is as follows:

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	76,558	–	10,000	86,558
Charge for the year	46,096	–	–	46,096
Exchange differences and other	(3)	–	–	(3)
Balance at 31 December	122,651	–	10,000	132,651

	Year ended 31 December 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	42,501	–	30,000	72,501
Charge/(reversal) for the year	34,057	–	(20,000)	14,057
Balance at 31 December	76,558	–	10,000	86,558

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial investments (Continued)**(c) Financial investments measured at amortised cost**

	Note	31 December	
		2022	2021
Debt securities	(i)		
– Government and central banks		98,335,046	84,535,941
– Policy banks		63,788,989	58,441,663
– Banks and other financial institutions		3,568,534	1,518,517
– Corporate		34,124,562	12,624,118
Interests accrued		2,857,510	2,422,815
Sub-total		202,674,641	159,543,054
– Unlisted		202,674,641	159,543,054
Interbank deposits		1,956,247	957,663
Interests accrued		7,065	215
Sub-total		1,963,312	957,878
– Unlisted		1,963,312	957,878
Trust plans and asset management plans		125,598,008	123,246,580
Interests accrued		2,334,232	3,842,307
Sub-total		127,932,240	127,088,887
– Unlisted		127,932,240	127,088,887
Less: Provision for impairment losses	(ii)	(10,065,826)	(11,555,279)
Total		322,504,367	276,034,540

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial investments *(Continued)***(c) Financial investments measured at amortised cost** *(Continued)*

Note:

- (i) As at 31 December 2022 and 2021, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 51(e)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost is as follows:

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	742,018	5,051,135	5,762,126	11,555,279
Transfers:				
– to lifetime expected credit losses not credit-impaired	(118,262)	118,262	–	–
– to lifetime expected credit losses credit-impaired	(24,541)	(2,401,803)	2,426,344	–
Charge/(reversal) for the year	313,039	349,798	(405,042)	257,795
Transfer out	–	–	(1,763,823)	(1,763,823)
Exchange differences and other	16,575	–	–	16,575
Balance at 31 December	928,829	3,117,392	6,019,605	10,065,826
	Year ended 31 December 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	1,247,621	3,725,889	4,945,739	9,919,249
Transfers:				
– to lifetime expected credit losses credit-impaired	(49,891)	(440,000)	489,891	–
(Reversal)/charge for the year	(451,965)	1,765,246	326,496	1,639,777
Exchange differences and other	(3,747)	–	–	(3,747)
Balance at 31 December	742,018	5,051,135	5,762,126	11,555,279

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Investment in subsidiary

	31 December	
	2022	2021
CBHB Wealth Management Co., Ltd.	2,000,000	–

The subsidiary is as follows:

Name	Date of incorporation/ establishment	Place of incorporation/ registration	Nature of the entity	Paid-in Capital	Percentage of equity interest/ voting rights	Principal activities
CBHB wealth management Co., Ltd	6 September 2022	Tianjin, China	Limited liability company	RMB2 Billion	100%	Wealth Management

24 Interest in associate

	Note	31 December	
		2022	2021
Interest in associate	(a)	–	–

Notes:

- (a) The following list contains the Group's associate, which is immaterial to the Group and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentages of Equity/voting rights		Place of incorporation/ registration	Business sector
	31 December 2022	31 December 2021		
Hawtai Motor Finance Co., Ltd. ("Hawtai Motor Finance")	10%	10%	Tianjin, China	Motor Finance

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

	31 December	
	2022	2021
Carrying amount of immaterial associate in the statements of financial position of the Group	–	–
Amounts of the Group's share of results of this associate		
– Losses from continuing operations	–	–
– Total comprehensive losses	–	–

- (b) As at 31 December 2022 and 2021, the Group has not recognised share of losses totalling RMB97 million and RMB89 million in relation to its interest in the associate, because the Group has no obligation in respect of this losses.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2021	3,875,984	732,466	1,467,777	82,155	363,813	6,522,195
Additions	–	170,026	213,383	6,438	34,318	424,165
Transfers	–	–	3,596	–	(3,596)	–
Disposals	–	(10,133)	(33,400)	(1,393)	–	(44,926)
Foreign currency translation differences	–	(432)	(474)	(21)	–	(927)
As at 31 December 2021	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
As at 1 January 2022	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
Additions	–	166,452	294,576	5,839	206,428	673,295
Transfers	–	–	38,203	–	(38,203)	–
Disposals	–	(5,180)	(30,032)	(5,988)	–	(41,200)
Foreign currency translation differences	–	1,146	1,637	57	–	2,840
As at 31 December 2022	3,875,984	1,054,345	1,955,266	87,087	562,760	7,535,442
Accumulated depreciation						
As at 1 January 2021	(1,170,096)	(630,097)	(1,027,244)	(64,604)	–	(2,892,041)
Charge for the year	(185,892)	(97,705)	(173,374)	(6,181)	–	(463,152)
Disposals	–	9,343	29,147	1,323	–	39,813
Foreign currency translation differences	–	432	325	20	–	777
As at 31 December 2021	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
As at 1 January 2022	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
Charge for the year	(185,892)	(115,659)	(208,530)	(5,642)	–	(515,723)
Disposals	–	3,875	28,820	4,932	–	37,627
Foreign currency translation differences	–	(1,146)	(1,076)	(54)	–	(2,276)
As at 31 December 2022	(1,541,880)	(830,957)	(1,351,932)	(70,206)	–	(3,794,975)
Net book value						
As at 31 December 2021	2,519,996	173,900	479,736	17,737	394,535	3,585,904
As at 31 December 2022	2,334,104	223,388	603,334	16,881	562,760	3,740,467

The net book values of premises as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	31 December	
	2022	2021
Held in Mainland China		
– Medium-term leases (10 – 50 years)	2,334,104	2,519,996

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Deferred tax assets**(a) Analysed by nature**

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	43,066,555	10,766,639	36,569,536	9,142,384
– Fair value changes	6,255,915	1,563,979	5,508,869	1,377,217
– Accrued salary cost	4,843,729	1,210,932	4,517,403	1,129,351
– Provisions	477,053	119,263	521,039	130,260
– Others	515,710	128,927	801,225	200,306
	55,158,962	13,789,740	47,918,072	11,979,518
Deferred income tax liability				
– Fair value changes	(2,366,625)	(591,656)	(3,826,772)	(956,693)
– Others	(371,495)	(92,873)	(397,876)	(99,469)
	(2,738,120)	(684,529)	(4,224,648)	(1,056,162)
Net balances	52,420,842	13,105,211	43,693,424	10,923,356

(b) Movements of deferred tax

	Allowance for impairment losses Note (i)	Fair value changes Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2021	7,732,980	(297,735)	1,229,373	8,664,618
Recognised in profit or loss	1,409,404	(226,538)	131,075	1,313,941
Recognised in other comprehensive income	–	944,797	–	944,797
As at 31 December 2021	9,142,384	420,524	1,360,448	10,923,356
Recognised in profit or loss	1,624,255	108,233	5,801	1,738,289
Recognised in other comprehensive income	–	443,566	–	443,566
As at 31 December 2022	10,766,639	972,323	1,366,249	13,105,211

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Deferred tax assets (Continued)**(b) Movements of deferred tax** (Continued)

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at 31 December 2022 and 2021, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to income tax when realized.

27 Right-of-use assets

	Premises	Others	Total
Cost			
As at 1 January 2021	5,639,878	27,009	5,666,887
Additions	1,150,945	949	1,151,894
Disposals	(569,603)	(12,777)	(582,380)
Foreign currency conversion difference	(736)	(4)	(740)
As at 31 December 2021	6,220,484	15,177	6,235,661
As at 1 January 2022	6,220,484	15,177	6,235,661
Additions	1,158,393	1,121	1,159,514
Disposals	(314,035)	(1,471)	(315,506)
Foreign currency conversion difference	4,200	8	4,208
As at 31 December 2022	7,069,042	14,835	7,083,877
Accumulated depreciation			
As at 1 January 2021	(1,683,026)	(7,107)	(1,690,133)
Charge for the year	(855,549)	(2,018)	(857,567)
Disposals	229,445	3,926	233,371
Foreign currency conversion difference	372	(2)	370
As at 31 December 2021	(2,308,758)	(5,201)	(2,313,959)
As at 1 January 2022	(2,308,758)	(5,201)	(2,313,959)
Charge for the year	(1,021,209)	(2,148)	(1,023,357)
Disposals	279,893	1,397	281,290
Foreign currency conversion difference	(2,957)	(5)	(2,962)
As at 31 December 2022	(3,053,031)	(5,957)	(3,058,988)
Net book value			
As at 31 December 2021	3,911,726	9,976	3,921,702
As at 31 December 2022	4,016,011	8,878	4,024,889

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Other assets

	Note	31 December	
		2022	2021
Interest receivable	(a)	3,177,740	2,005,270
Land use rights	(b)	399,986	414,711
Fees and commission receivable		275,383	313,287
Prepayments		294,550	212,774
Intangible assets	(c)	232,534	174,293
Amount pending for settlement		116,335	154,099
Guarantee deposits		156,676	150,835
Long-term deferred expenses		1,570	3,702
Others		2,736,676	2,497,595
Sub-total		7,391,450	5,926,566
Less: Allowances for impairment losses		(73,646)	–
Total		7,317,804	5,926,566

(a) Interest receivable

	31 December	
	2022	2021
Interests receivables arising from:		
Financial investments	2,853,046	1,277,405
Loans and advances to customers	324,694	727,865
Total	3,177,740	2,005,270

As at 31 December 2022 and 2021, interest receivable only includes interest that has been due for the relevant financial instruments but not yet received. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Other assets (Continued)**(b) Land use rights**

	31 December	
	2022	2021
Located in Mainland China: 10 – 50 years	399,986	414,711

(c) Intangible assets

	Year ended 31 December	
	2022	2021
Cost		
As at 1 January	601,397	515,276
Additions for the year	128,767	86,205
Foreign currency translation differences	1,192	(84)
As at 31 December	731,356	601,397
Accumulated amortisation		
As at 1 January	(427,104)	(368,259)
Charge for the year	(71,302)	(58,910)
Foreign currency translation differences	(416)	65
As at 31 December	(498,822)	(427,104)
Book value		
As at 1 January	174,293	147,017
As at 31 December	232,534	174,293

29 Borrowings from the central bank

	31 December	
	2022	2021
Medium-term Lending Facility	116,395,000	77,900,000
Interests accrued	1,463,168	946,876
Total	117,858,168	78,846,876

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Deposits from banks and other financial institutions

Analysed by type of and location of counterparty

	31 December	
	2022	2021
Deposits in Mainland China		
– Banks	109,724,368	113,225,298
– Other financial institutions	68,070,508	55,767,056
Sub-total	177,794,876	168,992,354
Deposits outside Mainland China		
– Other financial institutions	1,954,566	1,139,921
Sub-total	1,954,566	1,139,921
Interests accrued	1,426,525	1,409,805
Total	181,175,967	171,542,080

31 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	31 December	
	2022	2021
Placements in Mainland China		
– Banks	9,320,174	27,092,932
– Other financial institutions	–	1,000,000
Sub-total	9,320,174	28,092,932
Placements outside Mainland China		
– Banks	19,842,447	31,779,460
Sub-total	19,842,447	31,779,460
Interests accrued	272,205	326,353
Total	29,434,826	60,198,745

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Financial assets sold under repurchase agreements**(a) Analysed by type and location of counterparty**

	31 December	
	2022	2021
In Mainland China		
– Banks	60,199,095	66,834,971
– Other financial institutions	–	294,000
Sub-total	60,199,095	67,128,971
Outside mainland China		
– Banks	–	999,000
Sub-total	–	999,000
Interests accrued	24,626	71,139
Total	60,223,721	68,199,110

(b) Analysed by type of collateral held

	31 December	
	2022	2021
Debt securities	60,001,000	57,058,210
Acceptance	198,095	11,069,761
Sub-total	60,199,095	68,127,971
Interests accrued	24,626	71,139
Total	60,223,721	68,199,110

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Deposits from customers

	31 December	
	2022	2021
Demand deposits		
– Corporate customers	174,481,455	175,579,642
– Individual customers	35,665,919	47,169,584
Sub-total	210,147,374	222,749,226
Time deposits		
– Corporate customers	363,621,211	380,549,788
– Individual customers	133,058,162	87,761,951
Sub-total	496,679,373	468,311,739
Pledged deposits		
– Acceptances	69,986,443	38,735,191
– Letters of credit and guarantees	30,018,666	33,111,255
– Letters of guarantees	5,819,685	4,498,172
– Others	30,927,282	52,955,029
Sub-total	136,752,076	129,299,647
Fiscal deposits	214,725	138,608
Inward and outward remittances	80,147	89,937
Interests accrued	20,060,333	15,331,508
Total	863,934,028	835,920,665

34 Debt securities issued

	Note	31 December	
		2022	2021
Interbank deposits issued	(a)	182,752,710	176,076,608
Financial bonds issued	(b)	77,971,751	52,958,797
Tier 2 capital debts issued	(c)	8,990,092	8,989,126
Medium term notes	(d)	2,080,296	1,902,460
Subordinate bonds issued	(e)	–	947,345
Certificates of deposit issued	(f)	2,901,899	–
Sub-total		274,696,748	240,874,336
Interests accrued		1,984,243	1,723,728
Total		276,680,991	242,598,064

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Debt securities issued *(Continued)*

Notes:

- (a) Interbank deposit issued
- (i) For the year ended 31 December 2022, the Group issued a number of certificates of interbank deposit with total nominal amount of RMB351,400 million with duration between 1 to 12 months. The effective interest rates ranged from 1.40% to 2.76% per annum.
 - (ii) For the year ended 31 December 2021, the Group issued a number of certificates of interbank deposit with total nominal amount of RMB374,570 million with duration between 1 to 12 months. The effective interest rates ranged from 2.35% to 3.28% per annum.
 - (iii) As at 31 December 2022 and 2021, the fair value of interbank deposits issued was RMB181,394 million and RMB174,787 million, respectively.
- (b) Financial bonds issued
- (i) On 1 December 2022, the Group issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 2.95%.
 - (ii) On 22 February 2022, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.95%.
 - (iii) On 26 April 2021, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%.
 - (iv) On 6 April 2021, the Group issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%.
 - (v) On 18 August 2020, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.55%.
 - (vi) On 17 February 2020, the Group issued three-year financial bonds with face value of RMB8,000 million. The coupon interest rate per annum is 3.24%.
 - (vii) On 13 January 2020, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.47%.
 - (viii) As at 31 December 2022 and 2021, the fair value of financial bonds issued was RMB78,102 million and RMB53,188 million, respectively.
- (c) Tier 2 capital debts issued
- (i) On 15 January 2021, the Group issued ten-year fixed interest rate tier 2 capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Group has an option to redeem all the debts at face value on the last day of the fifth year.
 - (ii) As at 31 December 2022 and 2021, the fair value of tier 2 capital debts issued was RMB8,819 million and RMB9,060 million, respectively.
- (d) Medium term notes
- (i) On 3 November 2021, the Hongkong branch issued three-year financial bonds with face value of USD300 million. The coupon interest rate per annum is 1.50%.
 - (ii) As at 31 December 2022 and 2021, the fair value of medium term notes issued was RMB1,920 million and RMB1,870 million, respectively.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Debt securities issued *(Continued)*Notes: *(Continued)*

- (e) Subordinated bonds issued
- (i) On 20 July 2012, the Group issued fifteen-year fixed interest rate subordinated bonds with face value of RMB950 million. The coupon interest rate per annum is 5.68%. According to the issuance terms, the Group has the option to redeem all the bonds at face value on the last day of the tenth year. The Group has redeemed the bonds on 19 July 2022.
- (ii) As at 31 December 2021, the fair value of subordinated bonds issued was RMB963 million.
- (f) Certificates of deposit issued
- (i) During the year of 2022, the Group issued a number of certificates of deposit with total face value amount of RMB4,036 million and duration between 1 to 12 months. The effective interest rates ranged from 0.51% to 5.98% per annum.
- (ii) As at 31 December 2022, the fair value of certificates of deposit issued was RMB2,895 million.

As at 31 December 2022 and 2021, there were no defaults of principal and interest or other breaches with respect to these bonds. None of the above bonds were secured.

35 Lease liabilities

	31 December	
	2022	2021
Less than one year (inclusive)	1,060,734	963,220
One to two years (inclusive)	929,425	883,479
Two to three years (inclusive)	722,313	751,435
Three to five years (inclusive)	1,027,635	1,007,109
More than five years	964,466	926,920
Undiscounted lease liabilities	4,704,573	4,532,163
Ending balance of lease liabilities	4,229,676	4,047,564

36 Other liabilities

	Note	31 December	
		2022	2021
Amount to be settled and cleared		5,306,376	1,562,943
Accrued staff cost	(a)	5,053,716	4,711,117
Payment and collection clearance accounts		1,420,609	4,033,774
Other taxes payable		840,974	827,887
Provisions	(b)	477,053	521,039
Contract liabilities	(c)	226,967	165,263
Others		907,684	717,654
Total		14,233,379	12,539,677

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Other liabilities (Continued)**(a) Accrued staff cost**

	31 December	
	2022	2021
Salary, bonuses and allowances payable	4,610,923	4,354,559
Pension and annuity payable	20,076	14,112
Other social insurance payable	6,872	7,151
Housing fund payable	9,258	5,914
Others	406,587	329,381
Total	5,053,716	4,711,117

(b) Provisions

	Note	31 December	
		2022	2021
Provision for credit commitment losses	(i)	434,809	478,795
Expected litigation losses		42,244	42,244
Total		477,053	521,039

(i) Movements of provisions for credit commitment losses is as follows:

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2022	477,637	520	638	478,795
(Reversal)/charge for the year	(49,692)	239	69	(49,384)
Exchange differences and other	5,398	–	–	5,398
Balance at 31 December 2022	433,343	759	707	434,809

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2021	861,465	144,264	658	1,006,387
Reversal for the year	(381,940)	(143,744)	(20)	(525,704)
Exchange differences and other	(1,888)	–	–	(1,888)
Balance at 31 December 2021	477,637	520	638	478,795

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Other liabilities *(Continued)***(c) Contract liabilities**

As at 31 December 2022 and 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are approximately RMB227 million and RMB165 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Group will recognise the expected income in future as the services are provided.

37 Share capital**Issued share capital**

Share capital of the Group as at 31 December 2022 and 2021 represented share capital of the Group, which is fully paid.

	31 December	
	2022	2021
Number of shares issued and fully paid at par value of RMB1 each (in thousand)	17,762,000	17,762,000

38 Other equity instruments**Undated capital bonds****(a) Outstanding undated capital bonds at 31 December 2022**

Financial Instrument outstanding	Issue date	Accounting classification	Distribution rate	Issue price	Amount (million shares)			Conversion	
						In RMB	Maturity	condition	Conversion
Undated Capital Bonds	11 September 2019	Equity	4.75%	100RMB/Share	200	20,000,000	None	No	No
Total						20,000,000			
Less: Issue fees						(38,396)			
Book value						19,961,604			

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses

(i) Principal Amount

RMB20 billion.

(ii) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(iii) Distribution Rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the Distribution Payments on the Bonds will be paid at a prescribed fixed distribution rate. The distribution rate at the time of issuance is determined by way of book building running and centralised allocation.

The distribution rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China government Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds will not have any distribution rate step up nor any other incentive to redeem.

(iv) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional redemption rights for the Issuer. From the fifth anniversary since the Issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.

(v) Subordination

The claims in respect of the Bonds, in the event of the liquidation of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank *pari passu* with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank *pari passu* with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses (Continued)

(vi) Distribution Payment

The distribution of the Bonds will be payable annually. The distribution payment date of the Bonds shall be 16 September of each year. If any distribution payment date falls on a day which is an official holiday or non-business day in the PRC, it shall be postponed to the subsequent business day. Such postponed distributions shall not bear interest. The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bonds' holders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

(vii) Put Option

The holder of the Bonds do not have any put option to sell back the Bonds to the Issuer.

(viii) Write – down/write – off Clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Issuer's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of the China Banking and Insurance Regulatory Commission ("CBIRC") but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a prorate basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Issuer has the right to write off in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) CBIRC having decided that the Issuer would become non-viable without a write-off; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other comprehensive income

	Year ended 31 December	
	2022	2021
Items that will not be reclassified to profit or loss:		
<i>Changes in fair value of equity instruments designated as at fair value through other comprehensive income</i>		
As at 1 January	(3,362,294)	–
Changes in fair value recognised in other comprehensive income	253,891	(4,483,059)
Less: deferred tax	(63,472)	1,120,765
As at 31 December	(3,171,875)	(3,362,294)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of financial assets measured at fair value through other comprehensive income</i>		
As at 1 January	416,217	(111,526)
Changes in fair value recognised in other comprehensive income	(1,856,457)	714,594
Transfer to profit or loss upon disposal	(172,120)	(10,936)
Less: deferred tax	507,038	(175,915)
As at 31 December	(1,105,322)	416,217
<i>Credit losses of financial assets measured at fair value through other comprehensive income</i>		
As at 1 January	130,496	149,764
Impairment losses recognised in other comprehensive income	1,496,791	(25,690)
Less: deferred tax	(374,177)	6,422
As at 31 December	1,253,110	130,496
<i>Charge/(reserve) from cash flow hedging instruments</i>		
As at 1 January	–	(160)
Gains during the year recognised in other comprehensive income	–	–
Transfer to profit or loss upon disposal	–	213
Less: deferred tax	–	(53)
As at 31 December	–	–
Exchange difference on translating foreign operations		
As at 31 December	(14,766)	1,952

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Reserves**(a) Capital reserve**

	31 December	
	2022	2021
Share premium	10,732,077	10,732,077

(b) Surplus reserve

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

The Group appropriated an amount of approximately RMB611 million and RMB863 million to the surplus reserve for 2022 and 2021, respectively.

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to approximately RMB20,245 million and RMB19,497 million as at 31 December 2022 and 2021, respectively.

41 Retained earnings**Appropriation of profits**

On 29 March 2023, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2022:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP; and
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB749 million.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the annual general Meeting.

In accordance with the resolution at the Bank's Annual General Meeting on 16 May 2022, the shareholders approved the following profit appropriations for the year ended 31 December 2021:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB1,832 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB1,545 million to all existing ordinary equity holders.

Interests for Undated Capital Bonds

The Bank declared and distributed the interest on the 2021 Undated Capital Bonds amounting to RMB950 million on 16 September 2022.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities**(a) Structured entities sponsored by third party institutions in which the Group holds an interest:**

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the investment management products under trust schemes, wealth management products under trust schemes issued by financial institutions and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	102,271,266	102,271,266	83,643,353	83,643,353
Financial investments measured at fair value through other comprehensive income	2,864,433	2,864,433	2,610,540	2,610,540
Financial investments measured at amortised cost	118,362,124	121,214,575	115,719,153	116,995,963
Total	223,497,823	226,350,274	201,973,046	203,249,856

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities *(Continued)*

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2022 and 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material to the Group's financial positions.

For the years ended 31 December 2022 and 2021, the amount of fee and commission income from the abovementioned structured entities by the Group amounted to RMB889 million and RMB1,262 million, respectively.

As at 31 December 2022 and 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, were RMB168,992 million and RMB196,067 million, respectively.

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2022 and 2021:

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB87,121 million and the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB133,527 million.

43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

In 2022, the amount at the time of transfer of the credit assets was 1,599 million (2021: RMB2,715 million). These transactions were all qualified for full de-recognition.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Capital management

The Group implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Group considers regulatory requirements, external rating objective and its own risk preference, so as to protect the interest of its customers and creditors, maximize the value of shareholders and meet all regulatory requirements on capital management.

The Group calculates capital adequacy ratios in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the former CBRC and related regulatory requirements. In calculating its capital adequacy ratios, the Group considers all its domestic and overseas branches and sub-branches and financial institution subsidiary (excluding insurance companies).

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

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)”. For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. During the year, the Group has complied in full with all its externally imposed capital requirements.

The Group calculates its core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC’s “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements. The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with PRC GAAP.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Capital management (Continued)

The Group's capital adequacy ratios at 31 December 2022 and 2021 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December	
	2022	2021
Total core tier 1 capital		
– Share capital	17,762,000	17,762,000
– Qualifying portion of capital reserve	10,752,077	10,752,077
– Surplus reserve	7,342,356	6,731,609
– General reserve	20,245,453	19,496,787
– Other comprehensive income	(3,038,853)	(2,813,629)
– Retained earnings	36,926,397	34,673,629
Core tier 1 capital	89,989,430	86,602,473
Core tier 1 capital deductions	(4,362,055)	(2,454,831)
Net core tier 1 capital	85,627,375	84,147,642
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	105,588,979	104,109,246
Tier 2 capital		
– Instruments issued and share premium	8,990,092	9,397,688
– Surplus provision for loan impairment	7,535,448	5,997,063
Tier 2 capital deductions	–	–
Tier 2 capital	16,525,540	15,394,751
Net capital base	122,114,519	119,503,997
Total risk weighted assets	1,061,879,062	967,783,914
Core tier 1 capital adequacy ratio	8.06%	8.69%
Tier 1 capital adequacy ratio	9.94%	10.76%
Capital adequacy ratio	11.50%	12.35%

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Notes to the cash flow statement**(a) Net increase in cash and cash equivalents**

	31 December	
	2022	2021
Cash and cash equivalents as at 31 December	63,085,206	76,843,021
Less: Cash and cash equivalents as at 1 January	76,843,021	64,755,129
Net (decrease)/increase in cash and cash equivalents	(13,757,815)	12,087,892

(b) Cash and cash equivalents

	31 December	
	2022	2021
Cash on hand	503,504	443,231
Deposits with central bank other than restricted deposits	45,085,427	48,243,464
Deposits with banks and other financial institutions	15,842,673	27,107,635
Placements with banks and other financial institutions	1,653,602	1,048,691
Total	63,085,206	76,843,021

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties**Related parties of the Bank****(a) The Bank's major shareholders**

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	31 December	
	2022	2021
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	20.34%	20.34%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	16.26%	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	11.12%	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	9.49%	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	9.49%	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	7.72%	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	6.51%	6.51%

(b) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 23.

(c) Associate of the Bank

The detailed information of the Bank's associate is set out in Note 24.

(d) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 46(a) or their controlling shareholders.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties *(Continued)***Related party transactions****(a) Pricing policy**

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

(b) Transactions with related parties other than key management personnel**(i) Transactions with major shareholders:**

	Years ended 31 December	
	2022	2021
Transactions during the year		
Interest income	226,935	170,314
Interest expense	12	51
Operating expense	879	2,229
	31 December	
	2022	2021
Balances at end of the year		
Deposits with banks and other financial institutions	329,271	1,588,105
Loans and advances to customers	3,435,997	3,442,294
Deposits from customers	909	967
Other liabilities	55,488	13,556

(ii) Transactions with subsidiary:

	Years ended 31 December	
	2022	2021
Transactions during the year		
Interest expense	40,200	–
	31 December	
	2022	2021
Balances at end of the year		
Other assets	27,552	–
Deposits from banks and other financial institutions	2,040,200	–

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties (Continued)**Related party transactions** (Continued)**(b) Transactions with related parties other than key management personnel** (Continued)**(iii) Transactions with associate:**

	Years ended 31 December	
	2022	2021
Transactions during the year		
Interest expense	35	34

	31 December	
	2022	2021
Balances at end of the year		
Deposits from banks and other financial institutions	4,308	4,273

(iv) Transactions with other related parties:

	Years ended 31 December	
	2022	2021
Transactions during the year		
Interest income	674,245	733,077
Fee and commission income	46,833	41,930
Net gains of investment securities	396	13,724
Interest expense	615,718	81,077
Operating expense	19,440	21,589

	31 December	
	2022	2021
Balances at end of the year		
Deposits with banks and other financial institutions	3,720,813	4,361,792
Loans and advances to customers	11,182,431	11,303,133
Financial investment	2,482,700	3,178,452
Derivative financial assets	220	1,403
Deposits from banks and other financial institutions	26,254,659	4,062,382
Deposits from customers	1,925,303	1,117,170
Derivative financial liabilities	3,230	4,706
Debt securities issued	3,306,630	1,658,349
Other liabilities	170,755	192,794
Derivative financial instruments-notional amount	2,427,621	10,517,000
Bank acceptances	321,881	30,000
Letters of guarantees	46,535	50,348
Letters of credit	258,295	235,424

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties (Continued)**Related party transactions** (Continued)**(c) Key management personnel**

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

(i) Transactions with key management personnel:

	Years ended 31 December	
	2022	2021
Transactions during the year		
Interest income	1	30
Interest expense	35	44

	31 December	
	2022	2021
Balances at end of the year		
Loans and advances to customers	61	2
Deposits from customers	4,168	1,767

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Years ended 31 December	
	2022	2021
Key management personnel compensation	18,115	18,570

(iii) Loans and advances to directors, supervisors and officers

	31 December	
	2022	2021
Aggregate amount of relevant loans outstanding at the end of the year	61	2
Maximum aggregate amount of relevant loans outstanding during the year	61	3,302

There were no amount due but unpaid as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting

(a) Business segment

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

Corporate banking

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

Retail banking

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

Financial market business

This segment covers the Group's treasury business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions, and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

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

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

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the years ended 31 December 2022 and 2021 to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management

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

The Group develops and continually improves risk management policies, limit system, control procedures and IT systems based on the latest changes in regulatory policies, market conditions and business development to analyze, identify, monitor and report various risks.

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

Risk management system

The Board of Directors of the Group is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Group is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Group is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Group has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense is formed by various business departments at the head office, branches, and sub-branches of the Group, who are directly responsible for the prevention of various types of risks. The second line of defense is business management departments of risk management line, Assets and Liabilities Management Department and Internal Control and Compliance Departments of the Group, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense is the Audit departments of the Group, which are responsible for conducting independent valuation of risk management system and its implementation, and monitoring the effectiveness of risk management policies.

(a) Credit risk

Credit risk is one of the most important risks facing the business operations of the Group. The Group may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties' concentration risk are subject to the same impact by the economic development of the region or industry in which they operate.

The Board of Directors of the Group is responsible for ultimate responsibility for credit risk management and may authorize the Risk Management and Green Finance Committee to execute some of its functions. The Group continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually online and digital. The efficiency of credit approval is further improved, providing strategic support for the business development of the Group.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Measurement of credit risk

Loans and advances to customers and off-balance sheet credit commitments

The Risk Management Department, Credit Review Department, Credit Monitoring Department and Retail Risk Management Department are jointly responsible for management of credit risks in various credit exposures, and the credit risk management for financial investments. For corporate credit, the Group measured in accordance with the risk measurement requirements of the internal rating method, the customer's default risk and default loss, and constantly improved through continuous data monitoring, objective verification and performance evaluation, so as to enrich the practical application of the risk measurement results in the credit risk management system, and actively explore the construction of the Group's internal rating system. With respect to retail credit business, the Group analyses business characteristics and customer structure by the fintech, continuously improving credit scoring models and data mining and risk analysis of the historical performance of the borrowers, so as to gradually improve the effectiveness and efficiency of credit access, asset management, asset classification and impairment provisioning.

Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements

The Group adopts a centralized underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. The Group assesses the credit risk of these counterparties adopting a quantitative and qualitative approach which collectively involves the assessment and review of their credit rating in the banking industry, customer base and profiles, management capabilities, business prospects, industry position, external environment, regulatory indicators and cooperation with the Group and financial standing and performance etc.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Measurement of credit risk (Continued)

Debt investments and derivative financial instruments

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Group conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments (excluding customers who pay full margin). The Group is also appropriately using external credit rating in assessing risk.

The credit risks in derivatives engaged by the Group are mitigated mainly through margin deposits, government bonds, pledge of time deposit certificates recognized by the Group and credit facilities from banks.

Prior to approval, the Asset and Liability Management Department assess the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The Credit Monitor Department is responsible for reviewing the specific business, specific operations are carried out in accordance with the business administrative measures.

Credit risk limit management

Loans and advances to customers and off-balance sheet credit commitments

The Group takes effect credit scheme amount for the customers in accordance with the approval opinions. Meanwhile, the Group reviews the approved conditions for the credit line, and monitors the use of the credit limit. Where clients provide collateral, credit limits shall be frozen or adjusted in a timely manner in responding to the change in value of the collateral in order to meet the approved conditions for the credit lines.

Debt investment and derivative trading

The Group activates the credit line for financial institutions based on the credit approval, and monitors the bond investment and trading quotas of interbank customers and the bond investment quotas of non-interbank customers based on the relevant information such as the credit approval and risk exposure.

Credit risk mitigation measures

Collateral

The credit policies of the Group provide specific requirements on the acceptable collaterals and pledges, and set different rates for different collaterals and pledges based on their nature and extent of realization. The Group sets out specific requirements for the qualifications of professional evaluation agencies. In addition, through credit risk management system, the Group implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the decrease in value or quantity of collateral makes it insufficient for the actual value of the collateral to meet collateral rate, the Group shall freeze the underlying credit program amounts, require the client to provide additional collateral or security deposit or return the corresponding credit lines.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Collateral (Continued)

In respect of real estate development loans, the Group, by complying with relevant regulatory requirements, assesses the value of collateralized real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Group sets the minimum requirements on their completion.

The acceptable collateral includes financial collateral, real estate properties, accounts receivable and other collateral, mainly consisting of the following types:

- Cash and it equivalent
- Bills
- Stock
- State-owned construction land use right
- Residential real estate
- Commercial real estate
- Accounts receivable
- Vehicle
- Mechanical equipment
- Inventory
- Resource assets
- Intellectual property

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Master netting arrangements

The Group and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts are terminated and settled on a net basis.

The derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

Credit commitments

The main objective of credit commitments is to ensure that clients obtain the funds they need. The Group makes irrevocable guarantee when it issues letters of guarantee, letters of credit and Group's acceptance bill, i.e., the Group shall make repayments on behalf of the client if the client cannot meet its repayment obligations to a third party, and the Group assumes the same credit risks as those of a loan, review should be done in strict compliance with the Group's relevant requirements in conducting such business.

The Group defines margin deposit as one of the risk mitigations and receives certain margin deposits when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the client.

Impairment and provisioning policies

Stages of risks in financial instrument

The financial assets are categorized by the Group into the following stages to manage its financial assets' credit risk:

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

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Significant increase in credit risk

The Group evaluates the whether the credit risk of related financial instruments at least on each date of statement of financial position has increased significantly since initial recognition. The Group makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulation and operation environment, internal and external credit ratings, solvency, ability to continue as a going concern, provisions of loan contract, and repayment activities etc. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position to determine the change in default risk during the expected duration of financial instruments. The Group judges whether the credit risk of a financial instrument has significantly increased since initial confirmation from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

Definition of “default” and “credit-impaired assets”

When a financial asset is impaired, the Group identifies the financial asset as a default. Generally speaking, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each date of the statement of financial position, the Group assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Definition of "default" and "credit-impaired assets" (Continued)

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

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

Measurement of expected credit losses ("ECL")

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Measurement of expected credit losses ("ECL") (Continued)

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). For the purpose of calculating the lifetime ECL, the Group calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the date of statement of financial position by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Measurement of expected credit losses ("ECL") *(Continued)*

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

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

The calculation of expected credit losses involves forward-looking information. After the historical analysis, the Group identified the key economic indicators related to expected credit loss, such as gross domestic product (GDP), consumer price index (CPI), Purchasing Managers' index (PMI), Broad money (M2), Industrial Added Value, and Real Estate Climate Index. The Group carried out regression analysis to determine the relationship between these economic indicators and PD as well as LGD, so as to ascertain the impact of historical changes in these indicators on PD and LGD. The Group forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The important macroeconomic assumptions used by the Group in various macroeconomic scenarios include investment in fixed assets, added value of industrial economy, consumer price index.

The Group established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. During the years ended 31 December 2022, the Group's positivity scenario weight is 20%, neutrality scenario weight is 60%, and negativity scenario weight is 20%. The Group measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three cases within the lifetime.

During the years ended 31 December 2022, the Group has fully considered the impact of the COVID-19 pandemic on the macro economy and banking industry when evaluating the forward-looking information used in the expected credit loss measurement model.

Management Overlay

Taking into account inherent limitations of ECL model and temporary systematic risk factors, the Group has additionally accrued loss allowance in response to potential risk and improved its risk compensation capability.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)***(a) Credit risk** *(Continued)*

(i) Maximum credit risk exposure

	31 December	
	2022	2021
Credit risk exposures relating to on-balance sheet items:		
Deposits with the central bank	107,890,680	114,700,222
Deposits with banks and other financial institutions	16,074,856	27,730,508
Placements with banks and other financial institutions	18,333,936	9,262,262
Derivative financial assets	1,211,516	676,154
Loans and advances to customers	942,723,216	937,906,589
Financial investments		
– Financial investments at fair value through profit or loss	120,542,087	102,377,637
– Financial investments at fair value through other comprehensive income	101,487,369	89,218,927
– Financial investments at amortised cost	322,504,367	276,034,540
Other assets	6,204,440	4,642,370
Sub-total	1,636,972,467	1,562,549,209
Credit risk exposures relating to off-balance items:		
Acceptances	228,157,014	208,847,025
Letters of credit	69,431,553	57,334,637
Letters of guarantees	28,227,940	21,141,709
Credit card commitment	15,507,356	11,039,187
Loan commitments	254,657	415,501
Sub-total	341,578,520	298,778,059
Total	1,978,550,987	1,861,327,268

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets (excluded interests accrued) analysed by credit quality

	31 December 2022							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	107,858,989	-	-	107,858,989	-	-	-	-
Deposits with banks and other financial institutions	16,092,672	-	157,747	16,250,419	(28,669)	-	(157,747)	(186,416)
Placements with banks and other financial institutions	17,873,602	-	200,000	18,073,602	(48,215)	-	(60,000)	(108,215)
Loans and advances to customers	815,507,987	37,663,535	16,801,084	869,972,606	(6,876,826)	(7,063,246)	(9,891,713)	(23,831,785)
Financial investments	279,100,619	23,358,536	24,912,231	327,371,386	(928,829)	(3,117,392)	(6,019,605)	(10,065,826)
Other assets	6,278,086	-	-	6,278,086	(73,646)	-	-	(73,646)
Total	1,242,711,955	61,022,071	42,071,062	1,345,805,088	(7,956,185)	(10,180,638)	(16,129,065)	(34,265,888)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	85,526,348	-	5,787	85,532,135	(67,791)	-	(1,470,341)	(1,538,132)
Financial investments	100,341,361	-	-	100,341,361	(122,651)	-	(10,000)	(132,651)
Total	185,867,709	-	5,787	185,873,496	(190,442)	-	(1,480,341)	(1,670,783)
Credit commitments	341,558,511	16,537	3,472	341,578,520	(433,343)	(759)	(707)	(434,809)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets (excluded interests accrued) analysed by credit quality (Continued)

	31 December 2021							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	114,671,750	-	-	114,671,750	-	-	-	-
Deposits with banks and other financial institutions	27,757,635	-	157,747	27,915,382	(39,527)	-	(157,747)	(197,274)
Placements with banks and other financial institutions	9,018,691	-	200,000	9,218,691	(34,888)	-	(60,000)	(94,888)
Loans and advances to customers	831,491,740	29,806,453	16,834,547	878,132,740	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Financial investments	236,138,906	25,553,695	19,631,881	281,324,482	(742,018)	(5,051,135)	(5,762,126)	(11,555,279)
Other assets	4,642,370	-	-	4,642,370	-	-	-	-
Total	1,223,721,092	55,360,148	36,824,175	1,315,905,415	(8,651,057)	(9,944,289)	(15,996,806)	(34,592,152)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	76,698,756	-	-	76,698,756	(87,437)	-	-	(87,437)
Financial investments	88,200,736	-	-	88,200,736	(76,558)	-	(10,000)	(86,558)
Total	164,899,492	-	-	164,899,492	(163,995)	-	(10,000)	(173,995)
Credit commitments	298,766,955	7,927	3,177	298,778,059	(477,637)	(520)	(638)	(478,795)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)***(a) Credit risk** *(Continued)*

- (ii) Financial assets (excluded interests accrued) analysed by credit quality
- (Continued)*

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.64%	16.68%	38.34%	2.55%
Financial assets at fair value through other comprehensive income	0.10%	N/A	99.61%	0.91%
Credit commitments	0.13%	4.59%	20.36%	0.13%

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.71%	17.96%	43.44%	2.63%
Financial assets at fair value through other comprehensive income	0.10%	N/A	100.00%	0.11%
Credit commitments	0.16%	6.56%	20.08%	0.16%

As at 31 December 2022 and 2021, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB6,391 million and RMB13,013 million. The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB8,975 million and RMB7,862 million. The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

- (iii) Rescheduled loans and advances to customers

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 31 December 2022 and 2021, the Group's restructured loans amounted to RMB1,214 million and RMB1,386 million.

- (iv) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (exclusive interests accrued) analysed by the rating agency designations as at 31 December 2022 and 2021 are as follows:

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)**(a) Credit risk** (Continued)

(iv) Credit rating (Continued)

	31 December	
	2022	2021
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	288,636,217	248,332,539
– AA – to AA+	21,644,811	8,600,956
Sub-total	310,281,028	256,933,495
Overdue and credit-impaired		
<i>Ratings</i>		
– C	–	–
Unrated	3,064,777	1,454,719
Total	313,345,805	258,388,214

(b) Market risk (including the interest rate risk in the banking book)

Market risk refers to the risk of losses to the Group's on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity risk and equity risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Group is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Group for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Group, regulatory reserve or profit maximization are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness of market risk management, and performance of senior management under market risk management. The Group's senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board's risk appetite.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

The Group sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Group is in compliance with the requirements of internal limits and external supervision according to Group's market risk management policies and procedures.

Trading book market risk

Limits management

In order to control trading book market risk, the Group sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

Stress testing

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Group goes through stress testing on a regular basis.

Assessment of fair value

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, market situation of trading strategy, risk factors and the quality and qualification of counterparties. The Group assesses the fair value of its financial instruments on a regular basis.

Interest rate risk of banking book

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Group calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Group of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Group's banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Interest rate risk

The Group operates its business predominantly in Mainland China under the interest rate scheme regulated by PBoC.

The Group manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Group has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Group's limit.

- (i) The table below summarizes the Group's exposures to interest rate risks. It presents the Group's assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	31 December 2022					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	108,394,184	535,195	107,858,989	-	-	-
Deposits with banks and other financial institutions	16,074,856	10,853	15,864,135	199,868	-	-
Placements with banks and other financial institutions	18,333,936	368,549	9,840,205	6,529,658	1,595,524	-
Derivative financial assets	1,211,516	1,211,516	-	-	-	-
Loans and advances to customers (Note (i))	942,723,216	9,338,023	440,924,692	369,508,433	106,100,138	16,851,930
Financial investments (Note (iii))	544,533,823	27,570,084	153,706,816	77,146,417	229,564,747	56,545,759
Other	28,188,371	28,188,371	-	-	-	-
Total assets	1,659,459,902	67,222,591	728,194,837	453,384,376	337,260,409	73,397,689
Liabilities						
Borrowing from the central bank	117,858,168	1,463,168	35,000,000	81,395,000	-	-
Deposits from banks and other financial institutions	181,175,967	1,426,525	60,257,446	105,491,996	14,000,000	-
Placements from banks and other financial institutions	29,434,826	272,205	10,781,211	17,271,410	1,110,000	-
Derivative financial liabilities	613,173	613,173	-	-	-	-
Financial assets sold under repurchase agreements	60,223,721	24,627	60,199,094	-	-	-
Deposits from customers	863,934,028	20,147,689	312,114,920	324,073,781	206,350,638	1,247,000
Debt securities issued	276,680,991	1,984,243	105,932,008	107,717,517	61,047,223	-
Other	19,587,994	15,358,319	268,176	587,905	2,458,219	915,375
Total liabilities	1,549,508,868	41,289,949	584,552,855	636,537,609	284,966,080	2,162,375
Asset-liability gap	109,951,034	25,932,642	143,641,982	(183,153,233)	52,294,329	71,235,314

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Interest rate risk (Continued)

(i) (Continued)

	31 December 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	115,143,453	471,703	114,671,750	-	-	-
Deposits with banks and other financial institutions	27,730,508	12,400	27,319,847	398,261	-	-
Placements with banks and other financial institutions	9,262,262	138,459	3,985,901	5,137,902	-	-
Derivative financial assets	676,154	676,154	-	-	-	-
Loans and advances to customers (Note (i))	937,906,589	5,296,053	475,663,808	351,020,611	91,665,324	14,260,793
Financial investments (Note (ii))	467,631,104	28,309,297	124,758,220	72,562,952	198,054,930	43,945,705
Other	24,357,528	24,357,528	-	-	-	-
Total assets	1,582,707,598	59,261,594	746,399,526	429,119,726	289,720,254	58,206,498
Liabilities						
Borrowing from the central bank	78,846,876	946,876	17,600,000	60,300,000	-	-
Deposits from banks and other financial institutions	171,542,080	1,409,805	60,725,875	90,316,400	19,090,000	-
Placements from banks and other financial institutions	60,198,745	326,353	31,612,656	26,952,133	1,307,603	-
Derivative financial liabilities	1,025,842	1,025,842	-	-	-	-
Financial assets sold under repurchase agreements	68,199,110	71,139	68,035,411	92,560	-	-
Deposits from customers	835,920,665	15,422,174	343,932,219	219,867,067	255,452,205	1,247,000
Debt securities issued	242,598,064	1,723,728	73,772,490	103,251,463	63,850,383	-
Other	17,812,139	13,764,575	237,992	713,976	2,368,137	727,459
Total liabilities	1,476,143,521	34,690,492	595,916,643	501,493,599	342,068,328	1,974,459
Asset-liability gap	106,564,077	24,571,102	150,482,883	(72,373,873)	(52,348,074)	56,232,039

Notes:

- (i) As at 31 December 2022 and 2021, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB16,228 million and RMB26,920 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)***(b) Market risk (including the interest rate risk in the banking book)** *(Continued)***Interest rate risk** *(Continued)***(ii) Interest rate sensitivity analysis**

The Group uses sensitivity analysis to measure the potential impact of changes in interest rate on the Group's profit before tax and equity (without tax effect). The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before tax and equity (without tax effect) with an assumption that all other variables held constant.

	31 December	
	2022 (Decrease)/ Increase	2021 Increase/ (Decrease)
Change in profit before tax		
Up 100 bps parallel shift in yield curves	(838,913)	106,688
Down 100 bps parallel shift in yield curves	838,913	(106,688)

	31 December	
	2022 Increase/ (Decrease)	2021 Increase/ (Decrease)
Change in equity (without tax effect)		
Up 100 bps parallel shift in yield curves	62,771	962,025
Down 100 bps parallel shift in yield curves	(62,771)	(962,025)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before tax and equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at 31 December 2022 and 2021 apply to non-derivative financial instruments of the Group;
- At 31 December 2022 and 2021, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account risk management measures taken by the management, nor tax effect as a result of such changes.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit before tax and equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Group conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Group's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Group has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Group and are in accordance with relevant regulatory requirements, and reflect management's assessment of current circumstances. The Group also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Group monitors its foreign exchange risk. The Group mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Group monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire bank's foreign exchange risk. Meanwhile, the Group managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Group's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Group's net profit and shareholders' equity is not significant.

The following table summarizes the Group's exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorized by the original currency.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at 31 December 2022 and 2021 are as follows:

	31 December 2022			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	104,298,764	3,810,268	285,152	108,394,184
Deposits with banks and other financial institutions	9,289,521	5,586,101	1,199,234	16,074,856
Placements with banks and other financial institutions	16,909,637	1,424,299	–	18,333,936
Derivative financial assets	1,211,516	–	–	1,211,516
Loans and advances to customers	891,156,201	46,309,954	5,257,061	942,723,216
Financial investments (Note (i))	504,744,888	37,538,955	2,249,980	544,533,823
Other	27,735,833	375,051	77,487	28,188,371
Total assets	1,555,346,360	95,044,628	9,068,914	1,659,459,902
Liabilities				
Borrowing from the central bank	117,858,168	–	–	117,858,168
Deposits from banks and other financial institutions	179,158,725	1,599,194	418,048	181,175,967
Placements from banks and other financial institutions	3,892,617	18,678,913	6,863,296	29,434,826
Derivative financial liabilities	598,442	–	14,731	613,173
Financial assets sold under repurchase agreements	60,223,721	–	–	60,223,721
Deposits from customers	807,203,607	54,329,039	2,401,382	863,934,028
Debt securities issued	272,881,539	3,799,452	–	276,680,991
Other	17,005,151	2,458,045	124,798	19,587,994
Total liabilities	1,458,821,970	80,864,643	9,822,255	1,549,508,868
Net position	96,524,390	14,179,985	(753,341)	109,951,034
Credit commitments	319,425,879	17,846,119	4,306,522	341,578,520

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Foreign currency risk (Continued)

	31 December 2021			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	102,147,355	11,884,558	1,111,540	115,143,453
Deposits with banks and other financial institutions	9,252,356	17,169,761	1,308,391	27,730,508
Placements with banks and other financial institutions	8,214,270	1,047,992	–	9,262,262
Derivative financial assets	676,154	–	–	676,154
Loans and advances to customers	860,547,501	74,458,884	2,900,204	937,906,589
Financial investments (Note (i))	448,711,500	18,363,276	556,328	467,631,104
Other	24,252,593	64,656	40,279	24,357,528
Total assets	1,453,801,729	122,989,127	5,916,742	1,582,707,598
Liabilities				
Borrowing from the central bank	78,846,876	–	–	78,846,876
Deposits from banks and other financial institutions	170,401,048	175,433	965,599	171,542,080
Placements from banks and other financial institutions	3,423,312	52,545,828	4,229,605	60,198,745
Derivative financial liabilities	1,025,842	–	–	1,025,842
Financial assets sold under repurchase agreements	68,199,110	–	–	68,199,110
Deposits from customers	707,696,923	126,790,772	1,432,970	835,920,665
Debt securities issued	240,691,553	1,906,511	–	242,598,064
Other	15,603,186	142,238	2,066,715	17,812,139
Total liabilities	1,285,887,850	181,560,782	8,694,889	1,476,143,521
Net position	167,913,879	(58,571,655)	(2,778,147)	106,564,077
Credit commitments	267,242,860	28,320,028	3,215,171	298,778,059

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(c) Liquidity risk

The Group adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Group under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors, to senior management and down to individual departments, so that all the Group is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Group's overall liquidity risk is controlled within the Group's risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market judgement and implementing dynamic liquidity risk management when appropriate. The Group reviews the above practices and means and methods at least once a year. At the same time, the Group has established and continuously improved a comprehensive and systematic liability business management and risk control system to continuously improve the efficiency and level of financial services to the real economy. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiary engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Group managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Group and implementing integration management of local and foreign currency. For medium and long term liquidity risk management, the Group strengthened management measures on regulatory ratios and internal limit, and timely monitored early warning indicators, implemented initiative supplementing of liabilities, stabilized the source of capital and improved future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Group's cash inflows and outflows from its assets and liabilities, and by monitoring, analyzing and managing its compliance with regulatory indicators and internal limits, the Group has been able to maintain a sound liquidity position.

In order to cope with its potential impact arising from fluctuation of capital market and changes of macro-economic environment, the Group regularly revises its stress test scenarios and conducts stress tests for liquidity risk, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Group by introducing the internal and external factors to test the Group's tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organizational structure, the Group has emergency plans in place and explicit internal labor division and emergency procedures to ensure its liquidity under a crisis situation.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(c) Liquidity risk (Continued)

The Group formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realizable, and structurally ensure the potential liquidity needs of the Group are well taken care of. The Group focuses on the adjustment and optimization of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Group continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, expand interbank credit, build up emergency fund reserves, attempts to expand the Group's medium and long-term stable sources of liabilities, so as to improve the Group's financing ability under high liquidity pressure.

Maturity analysis

The following tables provide an analysis of non-derivative assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2022 and 2021:

	31 December 2022							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	62,480,893	45,913,291	-	-	-	-	-	108,394,184
Deposit with banks and other financial institutions	-	15,815,774	50,021	-	200,082	-	8,979	16,074,856
Placements with banks and other financial institutions	140,000	-	4,381,151	5,588,894	6,591,417	1,632,474	-	18,333,936
Loans and advances to customers	3,634,331	14,821,264	74,171,163	93,637,086	339,878,507	247,493,216	169,087,649	942,723,216
Financial investments (ii)	47,780,178	22,448,519	35,524,152	26,664,671	99,107,657	248,196,953	64,811,693	544,533,823
Other	28,188,371	-	-	-	-	-	-	28,188,371
Total assets	142,223,773	98,998,848	114,126,487	125,890,651	445,777,663	497,322,643	233,908,321	1,658,248,386
Liabilities								
Borrowing from the central bank	-	-	15,414,438	20,484,500	81,959,230	-	-	117,858,168
Deposits from banks and other financial institutions	14,017,471	37,702,763	5,731,569	-	17,209,882	106,514,282	-	181,175,967
Placements from banks and other financial institutions	-	-	5,408,155	5,451,901	17,463,876	1,110,894	-	29,434,826
Financial assets sold under repurchase agreements	-	-	60,123,982	99,739	-	-	-	60,223,721
Deposit from customers	-	214,829,199	48,315,715	59,717,462	332,995,323	206,798,380	1,277,949	863,934,028
Debt securities issued	-	-	30,143,095	76,347,007	107,847,846	62,343,043	-	276,680,991
Other	15,358,319	-	189,009	79,167	587,905	2,458,219	915,375	19,587,994
Total liabilities	29,375,790	252,531,962	165,325,963	162,179,776	558,064,062	379,224,818	2,193,324	1,548,895,695
Net position	112,847,983	(153,533,114)	(51,199,476)	(36,289,125)	(112,286,399)	118,097,825	231,714,997	109,352,691

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(c) Liquidity risk (Continued)

Maturity analysis (Continued)

	31 December 2021							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	65,869,888	49,273,565	-	-	-	-	-	115,143,453
Deposit with banks and other financial institutions	-	27,077,130	200,072	49,297	404,009	-	-	27,730,508
Placements with banks and other financial institutions	177,258	444,579	1,609,026	1,842,198	5,189,201	-	-	9,262,262
Loans and advances to customers	12,933,724	4,339,909	77,398,039	105,845,584	330,560,020	232,892,985	173,936,328	937,906,589
Financial investments (ii)	42,860,811	29,449,079	18,196,118	30,056,586	84,491,933	214,837,880	47,738,697	467,631,104
Other	24,357,528	-	-	-	-	-	-	24,357,528
Total assets	146,199,209	110,584,262	97,403,255	137,793,665	420,645,163	447,730,865	221,675,025	1,582,031,444
Liabilities								
Borrowing from the central bank	-	-	14,711,304	3,382,035	60,753,537	-	-	78,846,876
Deposits from banks and other financial institutions	-	108,320	40,431,521	20,573,028	90,891,508	19,537,703	-	171,542,080
Placements from banks and other financial institutions	-	-	15,219,659	16,623,697	27,047,786	1,307,603	-	60,198,745
Financial assets sold under repurchase agreements	-	-	57,596,429	10,509,747	92,934	-	-	68,199,110
Deposit from customers	-	220,109,553	64,479,607	63,040,040	222,361,627	264,651,887	1,277,951	835,920,665
Debt securities issued	-	-	10,603,838	64,103,217	104,040,626	63,850,383	-	242,598,064
Other	13,764,575	-	79,331	158,661	713,976	2,368,137	727,459	17,812,139
Total liabilities	13,764,575	220,217,873	203,121,689	178,390,425	505,901,994	351,715,713	2,005,410	1,475,117,679
Net position	132,434,634	(109,633,611)	(105,718,434)	(40,596,760)	(85,256,831)	96,015,152	219,669,615	106,913,765

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Group at 31 December 2022 and 2021:

	31 December 2022								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowing from the central bank	117,858,168	119,664,241	-	-	15,434,625	20,579,500	83,650,116	-	-
Deposits from banks and other financial institutions	181,175,967	183,578,261	14,021,180	37,704,688	5,738,766	76,465	18,631,886	107,405,276	-
Placements from banks and other financial institutions	29,434,826	29,892,076	-	-	5,413,168	5,482,317	17,838,450	1,158,141	-
Financial assets sold under repurchase agreements	60,223,721	60,238,439	-	-	60,138,439	100,000	-	-	-
Deposits from customers	863,934,028	879,551,189	-	214,829,199	48,332,370	59,905,550	337,035,442	217,737,899	1,710,729
Debt securities issued	276,680,991	282,715,962	-	-	30,179,147	76,662,047	109,128,505	66,746,263	-
Other	19,587,994	20,062,891	15,358,319	-	240,356	99,720	720,657	2,679,372	964,467
Total non-derivative financial liabilities	1,548,895,695	1,575,703,059	29,379,499	252,533,887	165,476,871	162,905,599	567,005,056	395,726,951	2,675,196
Credit commitments	341,578,520	341,578,520	-	69,244,811	20,111,755	36,210,653	200,840,009	15,171,292	-

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)

	31 December 2021								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowing from the central bank	78,846,876	78,846,876	-	-	14,711,304	3,382,035	60,753,537	-	-
Deposits from banks and other financial institutions	171,542,080	175,198,685	-	28,160,230	12,370,796	20,630,707	92,319,978	21,716,974	-
Placements from banks and other financial institutions	60,198,745	60,350,771	-	-	15,225,293	16,647,274	27,160,997	1,317,207	-
Financial assets sold under repurchase agreements	68,199,110	68,268,439	-	-	57,622,786	10,552,133	93,520	-	-
Deposits from customers	835,920,665	856,982,519	-	220,109,553	64,514,635	63,223,329	224,930,303	282,424,919	1,779,780
Debt securities issued	242,598,064	249,285,395	-	-	10,621,126	64,413,375	105,381,805	68,869,089	-
Other	17,812,139	18,296,738	13,764,575	-	80,268	160,537	722,415	2,642,022	926,921
Total non-derivative financial liabilities	1,475,117,679	1,507,229,423	13,764,575	248,269,783	175,146,208	179,009,390	511,362,555	376,970,211	2,706,701
Credit commitments	298,778,059	298,778,059	-	14,424,968	27,669,279	45,822,954	204,346,400	6,514,458	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management (Continued)**(c) Liquidity risk** (Continued)**Analysis on contractual undiscounted cash flow of derivative financial instruments**

The Group's derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metals derivatives. The Group's derivative financial instruments that will be settled on a gross basis are exchange rate swaps and exchange rate forwards.

The following table analyses the contractual undiscounted cash flow of financial derivatives that will be settled on net amounts and gross amounts basis held by the Group at the year end. The amounts disclosed are the contractual undiscounted cash flows.

	31 December 2022				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	9,214	430	8,242	2,676	20,562
Precious metal swaps	-	18,271	44,399	-	62,670
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
- Cash inflow	17,975,461	5,685,000	10,293,218	-	33,953,679
- Cash outflow	(17,932,153)	(5,704,299)	(9,959,443)	-	(33,595,895)

	31 December 2021				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	355	4,320	5,352	2,727	12,754
Precious metal swaps	(44,458)	6,134	(39,908)	-	(78,232)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
- Cash inflow	10,430,732	17,008,092	31,155,201	-	58,594,025
- Cash outflow	(10,558,311)	(17,177,166)	(31,828,304)	-	(59,563,781)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Risk management *(Continued)*

(d) Operational risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the reporting period, the Group organized review of operational risk management tools, updated and improved indicators in a timely manner; optimized and completed the transformation of the operational risk management system, simplified operational risk management tools process and risk event reporting process, and improved work efficiency. The Group coordinate the on-site inspection work of the whole bank to realize the organic linkage of on-site inspection planning, execution and supervision; carry out special evaluation work, carry out walk-through testing and evaluation of business systems, responsibilities, processes, and system rectification and improvement. A series of trainings were carried out to actively create a good operational risk management culture.

49 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flows model.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of reporting period.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)*

(a) Methods and assumptions for measurement of fair value *(Continued)*

(iv) Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income ("FVOCI") and financial assets measured at fair value through profit or loss ("FVTPL") are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities is stated at fair value. The book value and fair value of debt securities issued is presented in Note 34. The carrying amounts of other financial liabilities approximate their fair value.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)*

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Group selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. The Group selects the quoted prices or refers to the valuation results of third-party valuation agencies for evaluation of the fair value of a financial instrument, and when referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	-	1,211,516	-	1,211,516
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	-	1,712,237	-	1,712,237
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	-	85,532,135	-	85,532,135
Financial investments measured at fair value through profit or loss				
– Debt securities	-	11,335,197	567,229	11,902,426
– Interbank deposits	-	2,393,073	-	2,393,073
– Investment funds	-	64,085,548	-	64,085,548
– Trust plans and asset management plans	-	30,662,845	7,522,873	38,185,718
– Equity investments	675,435	-	3,299,887	3,975,322
Financial investments measured at fair value through other comprehensive income				
– Debt securities (exclusive interests accrued)	-	97,139,021	-	97,139,021
– Interbank deposits	-	137,907	-	137,907
– Equity investments	-	2,864,433	200,000	3,064,433
Total	675,435	297,073,912	11,589,989	309,339,336
Liabilities				
Derivative financial liabilities	-	(613,173)	-	(613,173)
Total	-	(613,173)	-	(613,173)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	–	676,154	–	676,154
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	523,751	–	523,751
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	–	76,698,756	–	76,698,756
Financial investments measured at fair value through profit or loss				
– Debt securities	–	12,600,782	567,229	13,168,011
– Interbank deposits	–	1,752,105	–	1,752,105
– Investment funds	–	58,080,079	–	58,080,079
– Trust plans and asset management plans	–	22,379,958	3,183,316	25,563,274
– Equity investments	514,335	–	3,299,833	3,814,168
Financial investments measured at fair value through other comprehensive income				
– Debt securities (exclusive interests accrued)	–	85,390,196	–	85,390,196
– Equity investments	–	2,610,540	200,000	2,810,540
Total	514,335	260,712,321	7,250,378	268,477,034
Liabilities				
Derivative financial liabilities	–	(1,025,842)	–	(1,025,842)
Total	–	(1,025,842)	–	(1,025,842)

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)***(c) Fair value hierarchy** *(Continued)*

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 31 December 2022	Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	7,522,873	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	3,299,887	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments measured at fair value through other comprehensive income			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	Fair value as at 31 December 2021	Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	3,183,316	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	3,299,833	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments measured at fair value through other comprehensive income			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the reporting period, there were no significant change in the valuation techniques.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	31 December	
	2022	2021
Entrusted loans	26,636,754	29,314,061
Entrusted funds	26,636,754	29,314,061

51 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December	
	2022	2021
Loan commitments		
– Original contractual maturity within one year	254,657	415,501
Credit card commitments	15,507,356	11,039,187
Sub-total	15,762,013	11,454,688
Acceptances	228,157,014	208,847,025
Letters of credit	69,431,553	57,334,637
Letters of guarantees	28,227,940	21,141,709
Total	341,578,520	298,778,059

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities *(Continued)***(a) Credit commitments** *(Continued)*

The Group may be exposed to credit risk in all the above credit businesses. Bank Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 31 December 2022 and 2021, provisions for credit commitments were RMB435 million and RMB479 million.

(b) Credit risk-weighted amount for credit commitments

	31 December	
	2022	2021
Credit risk-weighted amounts	62,706,781	52,113,951

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at 31 December 2022 and 2021, the Group's authorised capital commitments are as follows:

	31 December	
	2022	2021
Contracted but not paid for	381,455	502,916
Authorised but not contracted for	113,531	119,279
Total	494,986	622,195

(d) Outstanding litigations and disputes

As at 31 December 2022 and 31 December 2021, the Group has several outstanding litigations and disputes in its normal business operations. Base on the court process and the opinion of the external legal counsel, the reserve balance for litigation losses confirmed is RMB42.24 million. After consulting with external professional legal counsel, the management of the Group believes that the final outcome of such legal proceedings and claims will not have a material impact on the financial position or operating results of the Group.

During the year ended 31 December 2021, the Group had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Group had reported the case to the security authorities. For the year ended 31 December 2022, the Group has filed a related suit to the court. As of the approval date of the Group's financial statements, the case was in the judicial process. The outcome of the case is subject to the judgement of the court, and the Group is of the view that the financial impact of the above dispute cannot be reliably estimated. As a result, no relevant accrued liabilities were recognised as at 31 December 2022.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities *(Continued)***(e) Pledged assets***Assets pledged as collateral*

	31 December	
	2022	2021
Debt securities	181,439,469	138,984,213
Discounted bills	198,094	11,155,774
Total	181,637,563	150,139,987

Certain assets are pledged as collateral under repurchase agreements, and borrowings from central bank and other banks.

As at 31 December 2022 and 2021, the Group did not have these discounted bills under resale agreements. As at 31 December 2022 and 2021, the Group did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

52 Statements of financial position of the bank

	31 December 2022	31 December 2021
Assets		
Cash and deposits with the central bank	108,394,184	115,143,453
Deposits with banks and other financial institutions	16,074,856	27,730,508
Placements with banks and other financial institutions	18,333,936	9,262,262
Derivative financial assets	1,211,516	676,154
Loans and advances to customers	942,723,216	937,906,589
Financial investments:		
– Financial investments measured at fair value through profit or loss	120,542,087	102,377,637
– Financial investments measured at fair value through other comprehensive income	101,487,369	89,218,927
– Financial investments measured at amortised cost	322,504,367	276,034,540
Property and equipment	3,732,889	3,585,904
Investment in subsidiary	2,000,000	–
Deferred tax assets	13,104,422	10,923,356
Right-of-use assets	3,983,738	3,921,702
Other assets	7,334,059	5,926,566
Total assets	1,661,426,639	1,582,707,598

Notes to the Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Statements of financial position of the bank (Continued)

	31 December 2022	31 December 2021
Liabilities and equity		
Liabilities		
Borrowing from the central bank	117,858,168	78,846,876
Deposits from banks and other financial institutions	183,216,167	171,542,080
Placements from banks and other financial institutions	29,434,826	60,198,745
Derivative financial liabilities	613,173	1,025,842
Financial assets sold under repurchase agreements	60,223,721	68,199,110
Deposits from customers	863,934,028	835,920,665
Income tax payable	1,117,603	1,224,898
Debt securities issued	276,680,991	242,598,064
Lease liabilities	4,185,409	4,047,564
Other liabilities	14,230,860	12,539,677
Total liabilities	1,551,494,946	1,476,143,521
Equity		
Share capital	17,762,000	17,762,000
Other equity instruments	19,961,604	19,961,604
Other comprehensive income	(3,038,853)	(2,813,629)
Capital reserve	10,732,077	10,732,077
Surplus reserve	7,340,422	6,731,609
General reserve	20,245,453	19,496,787
Retained earnings	36,928,990	34,693,629
Total equity	109,931,693	106,564,077
Total liabilities and equity	1,661,426,639	1,582,707,598

53 Subsequent events

Up to the approval date of the report, the Group has no significant subsequent events for disclosure.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currency)	149.69%	131.01%

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currency)	155.13%	127.66%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

(b) Leverage Ratio

	31 December	
	2022	2021
Leverage Ratio	5.43%	5.66%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Liquidity Coverage Ratio and Leverage Ratio *(Continued)***(c) Net Stable Funding Ratio**

	31 December	
	2022	2021
Available stable funding	933,965,652	918,302,817
Required stable funding	913,963,270	875,039,639
Net Stable Funding Ratio	102.19%	104.94%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency Concentrations

	31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	95,044,628	3,424,896	5,644,018	104,113,542
Spot liabilities	(80,864,643)	(1,601,012)	(8,221,243)	(90,686,898)
Net position	14,179,985	1,823,884	(2,577,225)	13,426,644

	31 December 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	122,989,127	3,360,449	2,556,293	128,905,869
Spot liabilities	(181,560,782)	(3,394,704)	(5,300,185)	(190,255,671)
Net position	(58,571,655)	(34,255)	(2,743,892)	(61,349,802)

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 International Claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

31 December 2022			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,594,953	29,170,767	32,765,720
Europe	1,482,363	629,111	2,111,474
North and South America	1,492,738	744,351	2,237,089
Others	104,612	–	104,612
Total	6,674,666	30,544,229	37,218,895

31 December 2021			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,676,440	20,260,619	23,937,059
Europe	484,378	241,517	725,895
North and South America	14,009,872	23,204	14,033,076
Others	6,796	–	6,796
Total	18,177,486	20,525,340	38,702,826

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Gross Amount of Overdue Loans and Advances

	31 December	
	2022	2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	2,009,620	2,745,420
– between 6 months and 1 year (inclusive)	2,534,632	3,541,042
– between 1 year and 3 years (inclusive)	8,019,592	6,256,132
– over 3 years	1,868,287	2,003,029
Total	14,432,131	14,545,623
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.21%	0.29%
– between 6 months and 1 year (inclusive)	0.26%	0.37%
– between 1 year and 3 years (inclusive)	0.84%	0.65%
– over 3 years	0.20%	0.21%
Total	1.51%	1.52%

Organizational Structure Chart

As of the date of this annual report, the principal organizational and management structure of the Bank are as follows:

