中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

POSTAL SAVINGS BANK OF CHINA CO., LTD.
中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the "**Board**") of Postal Savings Bank of China Co., Ltd. (the "**Bank**") hereby announces the audited annual results of the Bank and its subsidiaries for the year ended December 31, 2022 and the proposed payment of cash dividend for 2022. The Audit Committee of the Board of the Bank has reviewed such audited annual results. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Bank's Annual Report for 2022 will be sent to the shareholders of the Bank in due course and the Annual Report for 2022 is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank.

By order of the Board
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, PRC
March 30, 2023

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong as Independent Non-executive Directors.

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

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report is true, accurate and complete and contains no false records, misleading statements or material omissions, and they assume individual and joint legal liabilities for such information.

The 2022 annual report, highlights and results announcement were reviewed and approved at the meeting of the Board of Directors of the Bank held on March 30, 2023. The number of Directors who should attend the meeting is 13, among which 13 Directors attended the meeting in person. The attendance was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association.

In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, totaling approximately RMB25,574 million (before tax) of cash dividends will be distributed to all ordinary shareholders whose names appeared on the share register on the record date at RMB2.579 (before tax) per ten ordinary shares. The Bank did not convert its capital reserve to share capital in 2022. The aforesaid profit distribution scheme is subject to review and approval at the 2022 Annual General Meeting. For details of the Bank's profit during the reporting period, please refer to "Discussion and Analysis – Analysis of Financial Statements".

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

The financial report of the Bank for the year 2022, prepared in accordance with PRC GAAP and IFRSs, has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with domestic and international auditing standards respectively with unqualified auditor's reports issued.

The Board of Directors of Postal Savings Bank of China Co., Ltd.
March 30, 2023

Mr. Liu Jianjun[1], Legal Representative of the Bank, Mr. Zhang Xuewen, Vice President in charge of finance of the Bank, and Ms. Deng Ping, General Manager of Finance and Accounting Department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

This report contains forward-looking statements on the Bank's financial position, business performance and development. These statements are based on existing plans, estimates and forecasts and may involve future plans which do not constitute any substantive commitments to investors by the Bank. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank proactively took measures to effectively manage all kinds of risks. Please refer to "Discussion and Analysis – Risk Management" for more details.

This report is prepared in both Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

1 Mr. Zhang Jinliang ceased to be Chairman and Legal Representative of the Bank due to the change of job. Upon approval by the Board of Directors, Mr. Liu Jianjun, Executive Director and President of the Bank, has been performing the duties on behalf of Chairman and Legal Representative of the Bank since April 25, 2022.

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Discussion and Analysis

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Financial Statements and Others

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Our Business Features

Our Risk Control Transformation

Our Capability Building

Our Green Finance

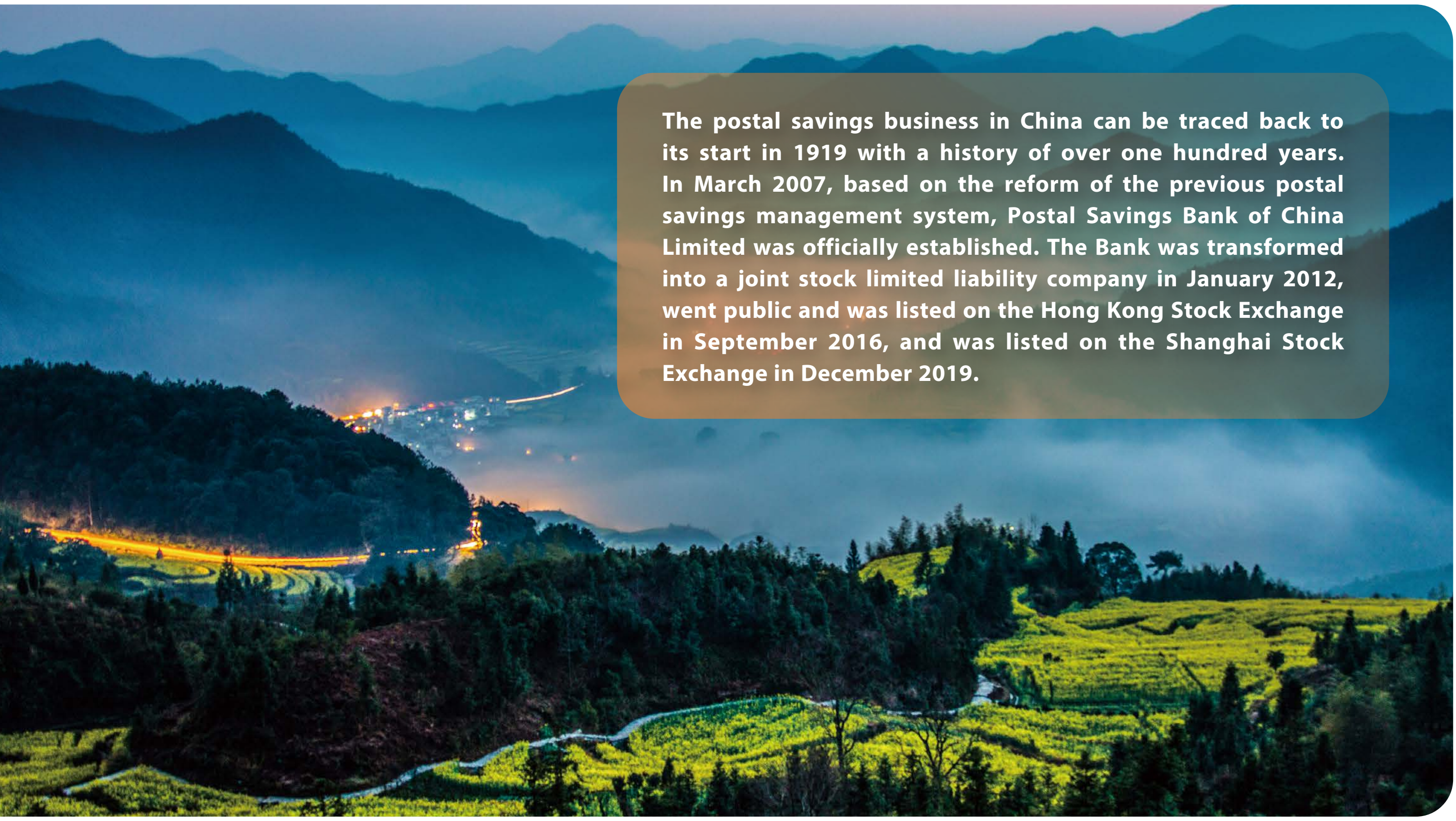
Definitions

"Articles of Association"	The Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"Bank/PSBC/Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
"CBIRC/CBRC"	China Banking and Insurance Regulatory Commission, or its predecessor, the former China Banking Regulatory Commission (where the context so requires)
"central bank/PBOC"	The People's Bank of China
"China Post Group"	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling shareholder of the Bank
"CSRC"	China Securities Regulatory Commission
"direct bank/YOU+ BANK"	YOU+ BANK, a direct bank subsidiary set up by the Bank
"Group"	The Bank and its subsidiaries
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards and the related amendments and interpretations issued by the International Accounting Standards Board
"MOF"	Ministry of Finance of the PRC
"new rules on asset management"	Guiding Opinions on Regulating Asset Management Business of Financial Institutions and other related regulations
"PRC GAAP"	The Accounting Standards for Business Enterprises issued by the MOF on February 15, 2006, and other related regulations issued thereafter
"PSBC Consumer Finance"	PSBC Consumer Finance Co., Ltd.
"PSBC Wealth Management"	PSBC Wealth Management Co., Ltd.
"Sannong"	Agriculture, rural areas and farmers
"SFO"	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"SMEs"	The enterprises classified as micro, small, and medium-sized enterprises under the Classification Standards of Small and Medium Enterprises
"SSE"	Shanghai Stock Exchange

The currency for the amounts included in this report, unless otherwise stated, is Renminbi ("RMB").

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Company Profile



The postal savings business in China can be traced back to its start in 1919 with a history of over one hundred years. In March 2007, based on the reform of the previous postal savings management system, Postal Savings Bank of China Limited was officially established. The Bank was transformed into a joint stock limited liability company in January 2012, went public and was listed on the Hong Kong Stock Exchange in September 2016, and was listed on the Shanghai Stock Exchange in December 2019.

With approximately 40,000 outlets and services covering over 650 million personal customers, the Bank focuses on providing financial services to Sannong customers, urban and rural residents and SMEs. Relying on its unique model and resource endowment featuring directly-operated outlets and agency outlets, it is committed to meeting the financial needs of the most promising customers during China's economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown its superior asset quality and significant development potential, and is a leading major retail bank in China.

The Bank is committed to serving the real economy, actively implementing national strategies, and fulfilling its social responsibilities. It adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing our customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach as well as a prudent and sound risk appetite, enhances its leading role of risk management on all fronts, and continuously improves the development of the comprehensive risk management system featuring "all aspects, whole process and entire staff". It continues to follow the operation philosophy of "gaining a first-mover advantage with market insights", takes bold acts in innovation and reform, deepens capacity building, and strives for high-quality development.

Since its establishment 16 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service, respectively, which are the same as China's sovereignty credit ratings. It has been rated A, AAAspc and AAA with a stable outlook by S&P Global Ratings, S&P Global (China) Ratings and CCXI, respectively. In 2022, it ranked 13th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

Faced with new strategic opportunities for China's development, the Bank will thoroughly implement the new development philosophy, focus on high-quality development, stay committed to the general principle of pursuing progress while ensuring stability, comprehensively deepen reform and innovation, and accelerate the transformation and development towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness". Committed to fulfilling its economic, political and social responsibilities as a major state-owned bank, the Bank will continue to improve the quality and efficiency of serving the real economy and the ability of serving customers, and make every effort to be a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value.

Strategic Positioning and Corporate Culture

Strategic Vision

Build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value

Strategic Objectives

Empower high-quality development with financial technology, accelerate transformation of business models, build a smart risk control system and enhance value creation to be a leading digital ecology bank serving the rural revitalization and new urbanization

Company Spirit

Be responsible, resilient and caring

Mission

Deliver accessible financial services in both urban and rural areas

Brand Premise

Together we make it better

Company Philosophies

Management philosophy: Keep it simple and reduce administrative burden.

Business philosophy: Gain a first-mover advantage with market insights.

Risk philosophy: Prudence and compliance lead to stability, and risk control is the key to sustainable development.

Service philosophy: Pour our heart and soul for customer satisfaction.

Talent philosophy: Respect the value of employees, tap their potential, and bring them closer to their dreams.

Coordination philosophy: See the bigger picture, act with one mind, and make progress toward a shared future.

Values

Create value for customers.

Integrity is the cornerstone of our development.

Prudence leads to sustainability.

Employees are our greatest asset.

Excellence comes through professionalism.

Embrace change and keep innovating.

In 2022, adhering to the principle of serving the real economy, focusing on the theme of high-quality development and centering around the strategic objectives and guidelines of the 14th Five-Year Plan, the Bank pushed forward the implementation of various key strategic measures, and made remarkable achievements in serving the real economy, advancing business transformation, strengthening risk management, etc.

First, the Bank upheld the major theme of promoting high-quality development. The Bank continued to optimize business models, improved the risk prevention and control capacity, strengthened basic management, had the courage to break new ground, better adapted to transformation, and more vigorously drove the high-quality development of the Bank.

Second, the Bank served rural revitalization and new urbanization, and formed a strategic pattern of "two-wheel drive" in rural and urban areas. Focusing on general credit extension in creditworthy villages, the Bank accelerated the digital transformation of Sannong finance, and consolidated the differentiated competitive advantages in rural markets. It sped up the development of urban businesses, and improved the competitiveness of urban businesses with key cities as the breakthrough point.

Third, the Bank adhered to the positioning of serving Sannong customers, urban and rural residents, as well as SMEs. The Bank earnestly served major national strategies, assumed responsibilities as a major state-owned bank, continuously strengthened support for rural revitalization, strived to improve the services for urban and rural residents, strongly supported micro and small enterprises and private companies, and created a unique advantage in lower-tier markets.

Fourth, the Bank focused on four fields of inclusive finance, wealth finance, industrial finance, and green finance. The Bank gave full play to its role as an advocate and pioneer of inclusive finance, promoted the integration of online and offline services, and iterated and upgraded the service mode. It accelerated the development of the wealth management system in line with the trend of residents' wealth growth and consumption upgrading. It supported the transformation and upgrading of industrial structure with industrial finance, dug deep to reach upstream and downstream customers of the industrial chain, capital chain and supply chain, and provided financial services covering all channels, whole processes and entire product lines. It vigorously developed sustainable finance, green finance and climate financing, and built a first-class green, inclusive bank and climate-friendly bank.

Fifth, the Bank pushed forward the five-pronged transformation towards uniqueness, comprehensiveness, lightness, digitalization and intensiveness. In terms of uniqueness, the Bank comprehensively upgraded business models in terms of customers, products, channels, technology and other aspects, expanded and strengthened featured businesses, and developed differentiated competitive advantages. In terms of comprehensiveness, the Bank built a process-based, highly-efficient coordination system for different businesses, business lines, departments and institutions, and enhanced its comprehensive financial service capability. In terms of lightness, advocating a capital-light approach, the Bank adhered to intensive capital management, and continued to improve the capital measurement, allocation, assessment and endogenous replenishment mechanism. In terms of digitalization, the Bank made every effort to accelerate the IT development, strengthened data-driven development, improved independent R&D and realized service transformation and upgrading. In terms of intensiveness, the Bank intensified resource coordination, business process optimization and integration, and improved intensiveness in operation, resource allocation and internal management.

Sixth, the Bank strengthened the six strategies of technology empowerment, deepening customer relationship, boosting the leapfrog growth of fee and commission income, building a strong bank with talents, safeguarding the Bank through risk management, and coordinated development. Guided by the IT Planning for the 14th Five-Year Plan, the Bank continued to push forward the development of IT application. The new generation core system for personal banking business was put into operation across the Bank, the proportion of independent R&D, agile R&D and independent platform applications in all applications continued to increase, and technological innovation and data empowerment continued to show results. The Bank set up the concept of lifecycle customer management, built a tiered customer management system, completed the three-year plan for customer journey optimization, and strived to improve customer experience. It improved the development mode of intermediary business, continued to expand the channels for generating income from intermediary business, optimized the allocation of resources for intermediary business and enhanced the core competitiveness of such business. It refined human resources management, carried out term-of-office and contractual management across the Bank, actively pressed ahead with the selection and cultivation of leading experts and the development of a team of young managers, and continuously increased the proportion of IT personnel. The Bank improved its risk control capacity, built an enterprise-level intelligent risk control platform, realized the full coverage of credit customers by the "Jinjing" (Gold Eye) credit risk monitoring system, and continuously improved the risk management mechanism. It strengthened its internal cohesion, promoted the "ten core projects" to serve rural revitalization, improved the quality and efficiency of comprehensive financial services for administrative villages, farmers' cooperatives, family farms and large farming households, agricultural enterprises as well as rural supermarkets through cooperation with China Post Group, and promoted the coordinated development across the board.

Corporate Information

Legal name in Chinese	中國郵政儲蓄銀行股份有限公司(「中國郵政儲蓄銀行」)
Legal name in English	POSTAL SAVINGS BANK OF CHINA CO., LTD. ("PSBC")
Legal representative[1]	Liu Jianjun
Chairman[1]	Liu Jianjun
President	Liu Jianjun
Authorized representatives	Yao Hong, Du Chunye
Secretary to the Board of Directors	Du Chunye Address: No. 3 Financial Street, Xicheng District, Beijing Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn
Registered address and place of business	No. 3 Financial Street, Xicheng District, Beijing
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Contacts for investors	Postal code: 100808 Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn Websites: www.psbcltd.cn, www.psbc.com
Hotline for customer services and complaints	86-95580
Information disclosure media	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com), Securities Daily (www.zqrb.cn)
Annual report available at	Office of the Board of Directors of the Bank No. 3 Financial Street, Xicheng District, Beijing
Unified social credit code	9111000071093465XC
A share listing place, stock name, stock code and website for publication of annual report	Stock exchange on which shares are listed: Shanghai Stock Exchange Stock name: 郵儲銀行 Stock code: 601658 Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 Yanggao South Road, Pudong New Area, Shanghai Website of Shanghai Stock Exchange for publication of annual report: www.sse.com.cn

1 Mr. Liu Jianjun, Executive Director and President of the Bank, has been performing the duties on behalf of Chairman and Legal Representative of the Bank since April 25, 2022.

H share listing place, stock short name, stock code and website for publication of annual report	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock short name: PSBC Stock code: 1658 Share Registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong Website of Hong Kong Stock Exchange for publication of annual report: www.hkexnews.hk
Legal advisor as to laws of the Chinese mainland	Haiwen & Partners
Legal advisor as to laws of Hong Kong, PRC	Clifford Chance LLP
Domestic auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP Place of business: 30/F, 222 Yan'an Road East, Huangpu District, Shanghai Signing accountants: Yang Bo, Hu Xiaojun, Shen Xiaohong
International auditor	Deloitte Touche Tohmatsu Place of business: 35/F, One Pacific Place, 88 Queensway, Admiralty Hong Kong Signing accountants: Ley Pui Chun, Rossana
Sponsors for continuous supervision and guidance	China International Capital Corporation Limited Place of business: 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing Signing sponsors: Zhu Xiaofei, Chen Xue Period of continuous supervision and guidance: December 10, 2019 to December 31, 2024 China Post Securities Co., Ltd. Place of business: 2nd Floor, Tower C, Joiest Group Building, No. 14 Zhushikou East Street, Dongcheng District, Beijing Signing sponsors: Wang Huamin, Ma Qingrui Period of continuous supervision and guidance: November 11, 2022 to December 31, 2024 CITIC Securities Company Limited Place of business: 23rd Floor, CITIC Securities Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing Signing sponsors: Sun Yi, Ma Xiaolong Period of continuous supervision and guidance: January 6, 2021 to November 10, 2022

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

Rankings and Awards

Rankings

Top 1000 World Banks
(in terms of tier 1 capital at the end of the prior year)
The Banker

Ranked 22nd in 2020

Ranked 15th in 2021

Ranked 13th in 2022

Global 2000 – the World's 2000 Largest Public Companies in 2022

Ranked 30th

Forbes

China's Top 500 Companies in 2022

Ranked 42nd

(In terms of operating income in 2021)

Fortune China

The World's Top 500 Most Valuable Brands in 2022

Ranked 121st

Brand Finance

Awards and Honors

– Fintech Award of the Year
the PBOC

– Excellent Organizers for Joint Financial Education and Publicity Campaigns in the Banking and Insurance Industry
General Office of the CBIRC

– Market Influencer of the Year
China Foreign Exchange Trade System (CFETS), aka the National Interbank Funding Center

– Outstanding Participating Institution of Digital Supply Chain Financial Service Platform
China National Clearing Center, PBOC

– Demonstration Case of Financial Services for Specialized and Sophisticated SMEs that Produce New and Unique Products
China Banking Association (CBA)

– Best Practice Case for ESG of Listed Companies
– Excellent Case of Digital Transformation of Listed Companies
China Association for Public Companies

– Bond Market Leader Institution of the Year
– Outstanding Asset Custodian
China Central Depository & Clearing Co., Ltd.

– Outstanding Dealer (Bank)
Shanghai Commercial Paper Exchange Corporation Ltd.

– Award for Outstanding Contribution to the Co-Building of Acceptance Environment of UnionPay Cards
China UnionPay

– Excellent Case of Global Service Practice
China International Fair for Trade in Services

– "Best ESG" Award in the Financial Sector of China's Mainland
Institutional Investor magazine

– Best Consumer Bank
– Best Fintech Innovation Bank
Global Finance

– Best Listed Company
– Most Valuable Listed Company
Ta Kung Wen Wei Media Group

– Outstanding Green Finance Institution
Hong Kong Commercial Daily

– Outstanding Contribution Award for Digital Transformation in the Financial Industry
– Award for Outstanding Information Security in the Financial Industry
Financial Computerizing

– Most Responsible Companies of the Year
China Newsweek

– Top 10 Risk Control Innovation Award
– Best Financial Innovation Award
The Chinese Banker

– The Gamma Award for High-Quality Development Bank of the Year
– The Gamma Award for Inclusive Financial Services of the Year
– The Gamma Award for Golden Bank Brand of the Year
Securities Times

– Golden Bull Award for Bank Wealth Management Products
China Securities Journal

– Sustainable Development Benefits Award
Caijing Magazine

– Asian Excellent Commercial Bank of the Year
– Technology Bank of the Year
21st Century Business Herald

– Outstanding Customer Experience Bank of the Year
The Economic Observer

– Best Bank of the Year
China Business News

– Best Inclusive Financial Services of the Year
National Business Daily

– Most Competitive State-owned Commercial Banks
China Business Journal

– Best Consumer Bank of the Year
China Times

– Excellent Case of Financial Services for Rural Revitalization of the Year
China.com.cn

– Best Financial Institution for Rural Revitalization of the Year
The Paper

– Green Finance Pioneer Award
Cailian Press

– Outstanding Wealth Management Bank Award
JRJ.com

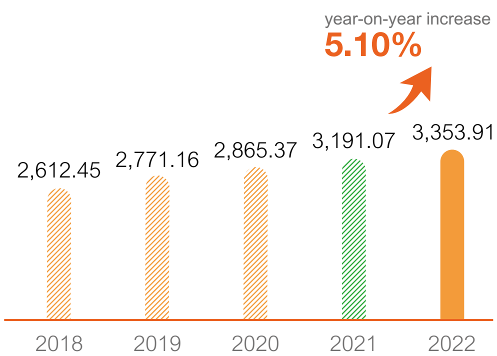
– Top 10 Best Employers in China 2022
Zhaopin and Institute of Social Science Survey of Peking University

Financial Highlights

Financial data and indicators in this report have been prepared in accordance with the IFRSs. Unless otherwise specified, they are consolidated data of the Bank and its subsidiaries and denominated in Renminbi.

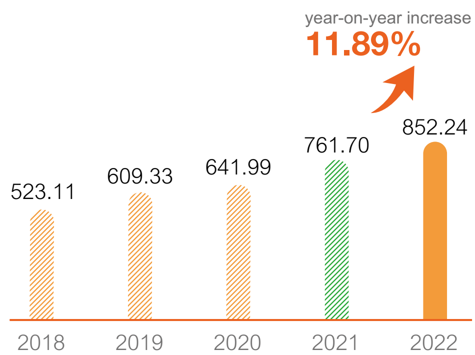
Operating income

(In RMB100 millions)



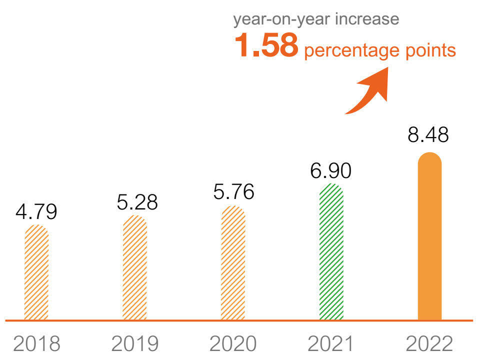
Net profit attributable to equity holders of the Bank

(In RMB100 millions)



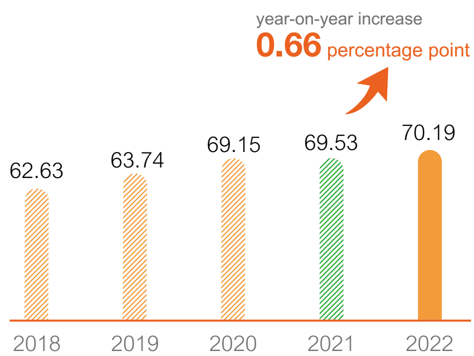
Percentage of net fee and commission income in operating income

(%)



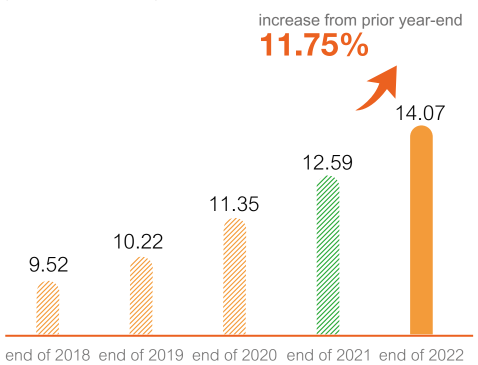
Percentage of personal banking business in operating income

(%)



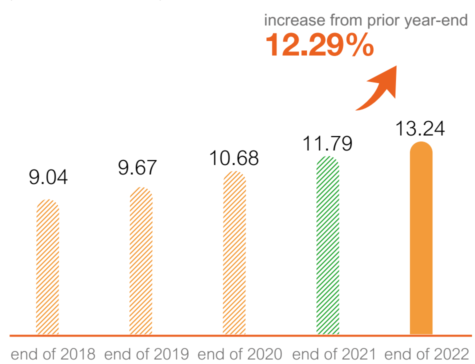
Total assets

(In trillions of RMB)



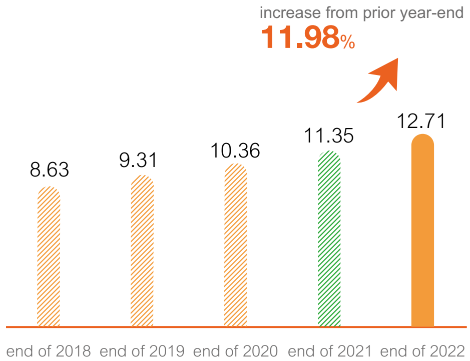
Total liabilities

(In trillions of RMB)



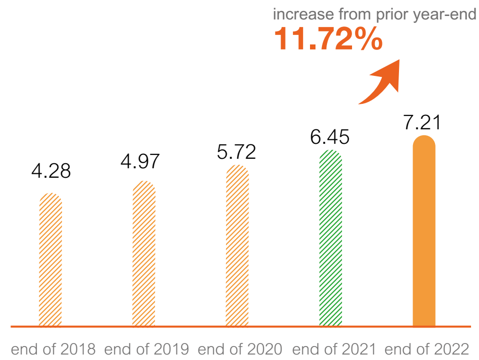
Total customer deposits

(In trillions of RMB)



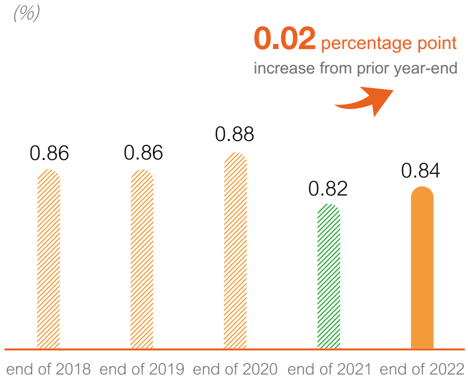
Total loans to customers

(In trillions of RMB)



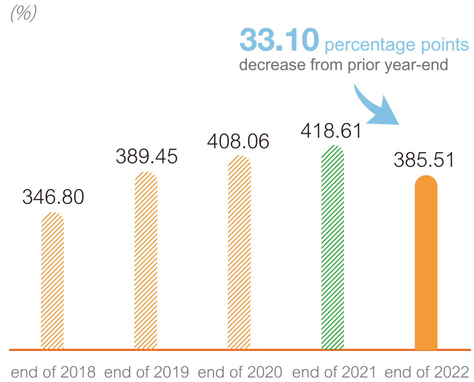
Non-performing loan ratio

(%)



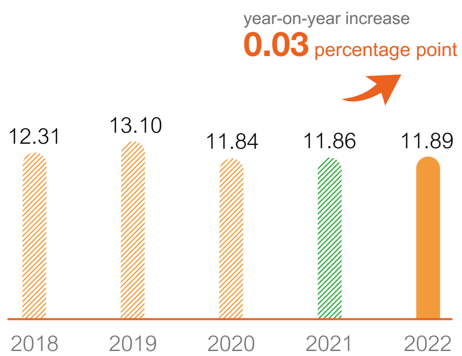
Allowance to NPLs ratio

(%)



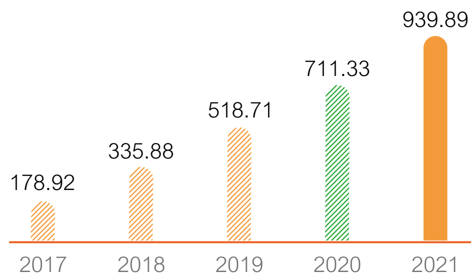
Return on weighted average equity

(%)



Accumulated cash dividends since its H-share listing

(In RMB100 millions)



Financial Highlights

Key Financial Data

In millions of RMB, unless otherwise stated

Item	2022	2021	2020	2019	2018
Operating results					
Operating income	335,391	319,107	286,537	277,116	261,245
Net interest income	273,593	269,382	253,378	242,686	236,037
Net fee and commission income	28,434	22,007	16,495	14,623	12,519
Operating expenses	208,680	190,995	167,984	157,976	152,324
Credit impairment losses	35,328	46,638	50,398	55,384	55,414
Impairment losses on other assets	19	20	19	11	20
Profit before income tax	91,364	81,454	68,136	63,745	53,487
Net profit	85,355	76,532	64,318	61,036	52,384
Net profit attributable to equity holders of the Bank	85,224	76,170	64,199	60,933	52,311
Net cash generated from operating activities	474,914	109,557	161,772	26,443	184,505
Per share data (in RMB Yuan)					
Basic and diluted earnings per share(1)	0.85	0.78	0.71	0.72	0.62

Note (1): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. There are no potential diluted ordinary shares of the Bank, so the diluted earnings per share is the same as the basic earnings per share. The calculation of relevant indicators excludes the impact of other equity instruments.

In millions of RMB, unless otherwise stated

Item[(1)]	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Data as at the end of the reporting period					
Total assets	14,067,282	12,587,873	11,353,263	10,216,706	9,516,211
Total loans to customers[(2)]	7,210,433	6,454,099	5,716,258	4,974,186	4,276,865
Allowance for impairment losses on loans to customers[(3)]	232,723	216,900	203,897	166,124	127,327
Loans to customers, net	6,977,710	6,237,199	5,512,361	4,808,062	4,149,538
Financial investments[(4)]	4,958,899	4,348,620	3,914,650	3,675,030	3,387,487
Cash and deposits with central bank	1,263,951	1,189,458	1,219,862	1,154,843	1,202,935
Total liabilities	13,241,468	11,792,324	10,680,333	9,671,827	9,040,898
Customer deposits[(2)]	12,714,485	11,354,073	10,358,029	9,314,066	8,627,440
Equity attributable to equity holders of the Bank	824,225	794,091	671,799	543,867	474,404
Net capital	1,003,987	945,992	784,579	671,834	593,729
Core tier 1 capital – net	679,887	635,024	542,347	492,212	421,678
Additional tier 1 capital – net	140,126	157,982	127,954	47,948	47,927
Risk-weighted assets	7,266,134	6,400,338	5,651,439	4,969,658	4,316,219
Per share data (in RMB Yuan)					
Net assets per share[(5)]	7.41	6.89	6.25	5.75	5.26

Note (1): In accordance with the relevant regulations under the Notice on Amending the Format of Financial Statements for Financial Enterprises in 2018 (Cai Kuai [2018] No. 36) issued by the MOF, the interest on financial instruments from corresponding assets and liabilities should not be accounted for as separate items of "interest receivable" or "interest payable" since 2018. The balance of "interest receivable" or "interest payable" shown in "other assets" or "other liabilities" is only interest receivable or interest payable on relevant matured financial instruments but not received nor paid on the date of the balance sheet.

Note (2): For ease of reference, "loans to customers" refers to "loans and advances to customers" and "customer deposits" refers to "deposits from customers" in this report.

Note (3): Allowance for impairment losses on loans to customers measured at amortized cost.

Note (4): Consists of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income – debt instruments, financial assets measured at fair value through other comprehensive income – equity instruments, and financial assets measured at amortized cost.

Note (5): Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

Financial Highlights

Financial Indicators

Item	2022	2021	2020	2019	2018
Profitability (%)					
Return on average total assets[(1)]	0.64	0.64	0.60	0.62	0.57
Return on weighted average equity[(2)]	11.89	11.86	11.84	13.10	12.31
Net interest margin[(3)]	2.20	2.36	2.42	2.53	2.69
Net interest spread[(4)]	2.18	2.30	2.36	2.48	2.67
Net fee and commission income to operating income ratio	8.48	6.90	5.76	5.28	4.79
Cost-to-income ratio[(5)]	61.44	59.08	57.86	56.29	57.60

Item	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Asset quality (%)					
Non-performing loan ratio[(6)]	0.84	0.82	0.88	0.86	0.86
Allowance to NPLs ratio[(7)]	385.51	418.61	408.06	389.45	346.80
Allowance to loans ratio[(8)]	3.26	3.43	3.60	3.35	2.99
Capital adequacy ratio (%)					
Core tier 1 capital adequacy ratio[(9)]	9.36	9.92	9.60	9.90	9.77
Tier 1 capital adequacy ratio[(10)]	11.29	12.39	11.86	10.87	10.88
Capital adequacy ratio[(11)]	13.82	14.78	13.88	13.52	13.76
Risk-weighted assets to total assets ratio[(12)]	51.65	50.85	49.78	48.64	45.36
Total equity to total assets ratio	5.87	6.32	5.93	5.33	4.99

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

Note (2): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. The calculation of relevant indicators excludes the impact of other equity instruments.

Note (3): Calculated by dividing net interest income by the average balance of interest-earning assets.

Note (4): Calculated by the spread between average yield of interest-earning assets and average interest rate of interest-bearing liabilities.

Note (5): Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

Note (6): Calculated by dividing the total NPLs by total loans to customers, and the total loans exclude the accrued interest.

Note (7): Calculated by dividing total allowance for impairment losses on loans to customers by total NPLs. Total allowance for impairment losses on loans to customers includes allowance for impairment losses on loans to customers measured at amortized cost and allowance for impairment losses on loans to customers measured at fair value through other comprehensive income.

Note (8): Calculated by dividing total allowance for impairment losses on loans to customers by total loans to customers. Starting from 2021, the total loans no longer include the accrued interest when calculating the allowance to loans ratio.

Note (9): Calculated by dividing core tier 1 capital (net of core tier 1 capital deductions) by risk-weighted assets.

Note (10): Calculated by dividing tier 1 capital (net of tier 1 capital deductions) by risk-weighted assets.

Note (11): Calculated by dividing total capital (net of capital deductions) by risk-weighted assets.

Note (12): Calculated by dividing risk-weighted assets by total assets.

Other Major Indicators

Item		Regulatory criteria	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Liquidity ratio (%)[1]	RMB and foreign currency	≥25	73.87	72.86	71.61	67.96	61.17
Percentage of loans to largest single borrower (%)[2]		≤10	16.50	18.72	23.21	27.19	29.78
Percentage of loans to the ten largest borrowers (%)			27.14	28.67	34.49	39.42	41.39
Loan migration ratio (%)[3]	Normal		0.89	0.60	0.61	0.78	0.80
	Special mention		29.22	24.09	45.47	15.73	20.20
	Substandard		44.76	48.27	29.48	55.48	63.36
	Doubtful		53.41	56.81	78.32	76.16	75.57

Note (1): Calculated by dividing current assets by current liabilities.

Note (2): Percentage of loans to largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB165,659 million, accounting for 16.50% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB149 billion. After deduction of this RMB149 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.66% of the Bank's net capital.

Note (3): The loan migration ratio has been restated according to the latest regulatory rules of calculation.

Credit Ratings

Rating Agency	2022	2021	2020	2019	2018
S&P Global Ratings	A (stable)	A (stable)	A (stable)	A (stable)	A (stable)
Moody's Investors Service	A1 (stable)	A1 (stable)	A1 (stable)	A1 (stable)	A1 (stable)
Fitch Ratings	A+ (stable)	A+ (stable)	A+ (stable)	A+ (stable)	A+ (stable)
S&P Global (China) Ratings	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)	–
CCXI	AAA (stable)	AAA (stable)	AAA (stable)	AAA (stable)	AAA (stable)

Quarterly Financial Data

In millions of RMB

Item	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Operating income	85,256	88,379	83,558	78,198
Net profit attributable to equity holders of the Bank	24,977	22,137	26,735	11,375
Net cash generated from operating activities	143,558	3,356	(17,700)	345,700

Liu Jianjun
President

Message from the Management

The year 2022 was a vital and extraordinary one for the Chinese economy, including the banking sector. Facing the dual challenge of fighting Covid-19 and stabilizing the broader economic fundamentals, PSBC forged ahead bravely. In 2022, PSBC achieved an operating income of RMB335.391 billion, a year-on-year increase of 5.10%; its net profit was RMB85.355 billion, a year-on-year increase of 11.53%; total assets exceeded RMB14 trillion; the weighted average return on net assets was 11.89%; and the non-performing loan ratio was 0.84%. PSBC continued to maintain an industry-leading level, and climbed up to the 13th place on The Banker's list of "Top 1000 World Banks".

We firmly performed our bounden duty of serving the real economy with financial services, responded to unforeseen circumstances and fended off headwinds in a more proactive manner. We implemented national strategies, tilted resources to key areas, facilitated production recovery and improvement of people's wellbeing, and vigorously supported the high-quality development of economy. We actively supported the stabilization of broader economic fundamentals. Loans to the real economy increased by RMB705,378 million, accounting for about 90% of the Bank's newly granted loans. We provided financial support for the development of the manufacturing industry and equipment upgrade, with the medium and long-term loans to the manufacturing industry increasing by RMB55,582 million, or 50.06% over the end of last year. We provided targeted assistance to micro, small and medium-sized enterprises and alleviated their pressure by allowing them to defer principal and interest repayment. We strengthened the long-effect mechanism of "having the courage, will, ability and means to grant loans" to micro and small enterprises, with the balance of inclusive loans for micro and small enterprises amounting to RMB1.18 trillion, representing an increase of 23.04% compared with the prior year-end; and we also recorded a net increase in borrowers with outstanding loans by 223.8 thousand. We supported the initiative of ensuring that overdue housing projects were completed and delivered to meet people's basic living needs, with personal housing loans growing by 4.26%. We formulated the Action Plan for Carbon Peak and Carbon Neutrality, and increased green loans by 33.38% over the prior year-end to RMB496,549 million. We were once again rated A in ESG ratings by MSCI.

We continued to focus on the most promising fields during China's economic transformation, and responded to the diverse customer needs and market demand for financial services in a more up-and-coming manner. Back to the underlying logic of commercial banking, we recalibrated strategies and optimized financial service models to better meet the demand for financial services. We vigorously built the rural credit system and extended credit to farmers, with the aim to "let the vast majority of farmers have credit from PSBC". We have designated 383.5 thousand creditworthy villages, rated more than 10 million creditworthy households, and registered a balance of RMB1.81 trillion in agro-related loans. We moved faster to build the wealth management system and improve our all-round, differentiated and forward-looking comprehensive service capabilities. The number of Jingui customers and the number of Fujia customers and above[1] increased by 10.32% and 19.32%, respectively. We met enterprises' need for a package of comprehensive financial services via the "lead bank" model, built the "1 plus N" operation and service system for corporate banking, and expanded our customer base with better quality. The number of small businesses signing up for the lead-bank service increased by 35.59% in 2022. We continued to build up the interbank ecosystem in terms of breadth and depth and successfully launched the "Together We Thrive" platform, creating a new interbank ecosystem with win-win results for all.

1 Jingui customers refer to customers with financial assets between RMB100,000 (inclusive) and RMB500,000; Fujia customers and above refer to customers with financial assets of RMB500,000 and above.

Message from the Management

We stepped up our capacity building to embrace fresh changes in the development model of the financial industry, with greater courage to make breakthroughs. Through top-level design, top-down communication and pilot implementation, we gradually strengthened major capabilities in six aspects: core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership, to realize mindset upgrade from top down and model reconstruction across the Bank. We promoted the operation model of "close customer services", launched a pilot program of a lighter version of private banking, and rolled out the proactive credit extension mechanism featuring "low credit line and wide coverage" in Sannong, consumer credit, credit cards and other fields. We comprehensively improved our capabilities in leading by risk management, and accelerated the digital transformation of risk management. We continuously improved the forward-looking analysis method, and further applied the intelligent risk control across the board. We launched the new-generation core system for personal banking business and the Personal Mobile Banking 8.0, significantly improving customer experience. We optimized the allocation of resources, promoted the reforms in fixed-term appointment and contract-based employment, improved the resource allocation and incentives, implemented a collaborative performance assessment mechanism with integrated vertical and horizontal dimensions, achieved improvements in both utilization efficiency of resources and management efficiency, and built an innovation atmosphere on unity and solidarity.

Time is passing by, and we are riding the waves of change. In 2023, the banking industry is ushering in a new landscape with greater opportunities and tougher challenges in the context of China embarking on a new journey to build a modern socialist country in all respects. On the one hand, Chinese modernization has created broad space for development in all sectors. New growth drivers are in the pipeline, and the financial sector has much to accomplish. On the other hand, the industrial system has undergone profound changes, sending shock waves to the traditional business models and logic of commercial banking. It is time to change.

In response to the call for new finance in the new era, PSBC sticks to the original mission of serving the real economy, adheres to the original aspiration that "China Post, by the people, for the people", follows the "5+1" strategic path, and maintains risk control and compliance through every process with a focus on the technological finance, eco-finance, coordinated finance, industrial finance and green finance. With high-quality financial services, we will play our due part in building China into a modern socialist country in all respects.

PSBC has its own dream and characteristics. We remember from where we came here, upholding "working on the trivial work even others despise; working towards stability rather than big profit" as our gene of inclusiveness. Bearing in mind what we are striving for, we will go farther on the path of differentiation that will devote our resources into

Facilitate a better life with financial resources

CCTV interview with President Liu Jianjun lower-tier markets as well as key areas and weaker links of the economy. Entering the new era, we will uphold fundamental principles and break new ground, and endeavor to develop five differentiated growth poles, namely, rural revitalization, micro, small and medium-sized enterprises, proactive credit extension, wealth management and financial market business.

– **Devoting ourselves to building up China's strength in agriculture, we are determined to serve as the main force of Sannong finance and fulfil our dreams through hard work.** A country cannot go strong without strengths in agriculture. It is a major strategic plan of the CPC Central Committee to advance rural revitalization across the board and move faster to build up China's strength in agriculture. The expanding investment in rural areas, stable agricultural economy and continuous increase in farmers' income point to huge potential of the Sannong market and robust demand for Sannong finance. We will give full play to our advantage of the most extensive network covering every corner of the country, rely on a complete product mix, professional team, rich experience and good brand reputation, focus on the construction of the rural credit system, and coordinate with postal service, e-commerce, and logistics, to provide unique comprehensive services for agriculture, rural development and farmers, build greater differentiation advantages, and realize the enhancement of social value and our own value.

– **We stay committed to providing support to micro, small and medium-sized enterprises, and channel financial resources into tens of thousands of households and enterprises in the real economy.** Flourishing micro and small enterprises create vibrant job markets and a thriving economy. The micro, small and medium-sized enterprises are vital contributors to ensuring stable growth, employment and living standards, representing a field where PSBC has a sharp edge. We will keep extending our reach to micro, small and medium-sized enterprises through our business ecosystem, industry chains and collaboration with China Post Group. FinTech and big data are employed to ensure truthfulness, accuracy and integrity of information in financing of micro and small enterprises. With an ongoing effort to build the capacity of comprehensive financial services encompassing all products, processes and life stages, we will provide differentiated financial services for micro and small enterprises through their lifecycle, from startup to growth and to maturity. In particular, in respect of the provision of support for sci-tech innovation of enterprises, we will blaze a distinctive path to microfinance with integrated commercial and investment banking, with a focus on creating a professional service system for specialized and sophisticated enterprises that produce new and unique products and technological innovation enterprises.

– **We turn proactive credit extension into a "golden touch" for customer outreach, and give financial services the wings of "big data" and deliver them to places where they are most needed.** Making credit funds increasingly available to a wider range of customers in a more balanced fashion is what customers want and what we pursue. Taking active credit extension as an important driver for developing differentiated competitive advantage, and relying on smart risk control technology, we pick customers with adequate data and controllable risks from fields such as Sannong finance, consumer credit, credit cards, corporate banking, etc. With such a precise and low-cost approach to reach customers, we provide customers with online credit services through an instant approval process, striking a balance among risk control, business development and customer experience.

Message from the Management

– Chasing the vision of the era to realize common prosperity, we work to expand the coverage of wealth management services, so that more urban and rural residents can share the dividends of China's economic development. The continuous drive for common prosperity, the reform of the income distribution system, the increase of household income and people's unremitting pursuit of a better life constitute a huge market demand for wealth management. We adhere to the concept of customer centricity and value creation for customers. With a huge customer base of more than 650 million people, we have established a chain-like service system for customers from long-tail customers to private banking customers. We provide them with high-quality multi-product portfolios as well as intensive services, dedicated services and diversified services, so as to stay closer to customers, continually meet their needs, and help urban and rural residents grow their wealth steadily along with China's economic development.

– As a main player in the financial market, we energetically facilitate more smooth and efficient financing, and promote the steady and healthy development of the financial system. The banking market is an important vehicle for allocating funds and resources. With a stable fund pool and abundant resources, we are an important participant in the financial market. We will tap deep into the inter-financial institution ecosphere to help stabilize the financial market. We will step up the bond business development to help increase the proportion of direct financing and reduce the financing cost of enterprises. The transactional business scale will be expanded to improve the efficiency of fund flows. We will create four ecosystem-based scenarios, namely, financial supermarket, bill market, investment business and investment banking as well as specialized and sophisticated enterprises that produce new and unique products to develop a sharp edge in the inter-financial institution market.

Develop capabilities in core business and cultivate unique competitive edge

Establish the concept of "creating value for customers", develop a professional capability system, build a professional workforce, and accurately meet the differentiated needs of customers

Develop capabilities in technological facilitation and inject momentum into transformation and development

Regard information technology as the key variable and promote digital transformation to improve customer experience, reduce operating costs, and enhance interaction, operation and management efficiency

Develop capabilities in system support and consolidate the foundation for business development

Based on system support, optimize marketing and customer acquisition, operation and management, customer experience and risk management, etc. to support the healthy and sustainable development of operations

Develop capabilities in institutional drive and stimulate the inner motivation for development

Be profit and efficiency-oriented and optimize human, capital, financial and other resource-driven mechanisms to stimulate the inner drive of development

Develop capabilities in coordination and integration and produce the overall organizational synergy

Leverage the core advantages in synergy, promote the coordination between the Bank and China Post Group, between business lines and business segments, and between the parent bank and subsidiaries, produce the overall organizational synergy, and give play to the overall value in a coordinated way

Develop capabilities in innovation leadership to ensure the sustainable development of the Bank

Consider innovation as the primary driving force, improve the innovation mechanism, cultivate innovation ability, create a pro-innovation culture, and drive high-quality development through innovation

Message from the Management

As a Chinese saying goes, a wise man changes as time and circumstances change. On the road to exploring new opportunities and breaking new ground, we will put “innovation” first, incorporate innovation into PSBC’s culture following the underlying logic of modern commercial banking, and make innovation a way to avoid homogeneity in a highly competitive environment, so that the century-old PSBC will be full of vigor in the new era. We will comprehensively change the way of serving customers, foster stronger customer loyalty and take creating value for customers as the ultimate way of survival and growth. We will combine the risk philosophy upgrading with FinTech innovation, shifting from “looking back” to “looking forward” to create a new model of financial business. With greater determination, we aim to be a nimble giant, like a "dancing elephant", and accelerate the reform towards a dumbbell-shaped organizational structure with intensive operation and higher efficiency.

Long as the journey is, we will reach our destination if we stay the course. We must change in order to adapt. In China’s pursuit of modernization, PSBC will resolutely abandon commercial opportunism, insist on doing the hard but right things, practice long-termism by prioritizing expertise, be the dream maker for a bright future, pursue common prosperity with entities in the real economy, and join hands with customers and investors to head for a more hopeful and beautiful tomorrow.

Chen Yuejun

Chairman of the Board of Supervisors

Guangdong Branch of PSBC launched the "pineapple loans", a type of featured industrial finance products, to support farmers in building a "sea of pineapples"

Discussion and Analysis

Discussion and Analysis

Environment and Prospect

In 2022, overseas inflation remained high, and the monetary policies of major developed economies continued to tighten at a rapid pace, which, compounded by geopolitical conflicts as well as energy and food crisis, led to weakening global demand, slow recovery of labor supply and slowing economic growth. With the intensified volatility in the global financial markets and a stronger dollar index, emerging economies faced even greater pressure of capital outflow, and there were more signs of vulnerabilities in the global financial system, increasing uncertainty in the operation environment surrounding the banking industry, and greater challenges for earnings growth and risk management.

Facing complicated and challenging circumstances both in and outside of China as well as unexpected factors, the Chinese government increased the intensity of macroeconomic regulation, ensuring stability of the economy and the society. The proactive fiscal policy was more effective, more targeted and more sustainable, with better coordination of financial resources, which took into account the need for ensuring stable growth and risk prevention. The prudent monetary policy was both flexible and appropriate, which maintained its continuity, consistency and sustainability. The loan prime rate (LPR) was lowered three times, while the loan interest rate fell steadily. The banking industry remained sound, healthy and stable, continued to increase supply of loans, optimized credit structure, improved quality and efficiency of services for the real economy, and effectively forestalled and mitigated risks in key areas.

Looking into 2023, against the backdrop of increase in the downside risks of the global economy, China's various policies will continue to take effect, and the economy is expected to rebound overall. China will adhere to the general principle of pursuing progress while ensuring stability, fully and faithfully apply the new development philosophy on all fronts, and make sure that our implementation of the strategy to expand domestic demand is integrated with our efforts to deepen supply-side structural reform, and give priority to ensure stable growth, employment, and prices. Efforts will be made to strengthen the macroeconomic regulation. The proactive fiscal policy will be stepped up for its effectiveness to give full play to the leveraging role of government investment to keep non-government investors fully motivated. A prudent monetary policy will be implemented in a targeted way to ensure reasonably ample liquidity, so that increases in money supply and aggregate financing should increase generally in step with nominal economic growth. The banking industry will fully implement the decisions and plans of the CPC Central Committee and the State Council, increase financial support for key areas such as Sannong business, technological innovation, green development, micro and small enterprises, advanced manufacturing, strategic emerging industries and major infrastructure projects, and promote the steady development of the property market. All these efforts will help to ensure that no systemic risks arise, and that the quality and efficiency of services for the real economy will be further improved.

2023 is the first year for fully implementing the guiding principles from the Party's 20th National Congress. Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will stick to its strategic positioning as a retail bank, uphold the general principle of "prioritizing stability and pursuing progress while ensuring stability", promote innovation and transformation, strengthen major capabilities in six aspects, and take greater steps in building itself into a first-tier large retail bank.

Firstly, the Bank will firmly implement the major decisions and plans of the CPC Central Committee and fulfil its responsibility as a major state-owned bank. It will proactively serve major national strategies, increase support for key areas such as technological innovation, green development, private micro and small enterprises, advanced manufacturing, strategic emerging industries and major infrastructure projects, provide Sannong financial services required for rural revitalization on all fronts, and improve the quality and efficiency of services for the real economy.

Secondly, the Bank will accelerate business transformation and upgrading, and continuously improve the efficiency of development. In terms of retail banking, the Bank will sharpen its focus on AUM, increase both the scale and quality of wealth management business, accelerate the transformation to a "wealth management bank", grasp opportunities brought by the recovery of consumption and property market and boost consumer finance business. In respect of corporate finance, it will focus on the development of a "1 Plus N" new system for corporate financial operation and services, promote synergy between different segments to improve the development quality and efficiency, and create unique advantage for development. For the treasury and asset management business, the Bank will seize structural opportunities in the market through investment research, improve trading and investment capabilities, and explore high-yield asset investment opportunities.

Thirdly, it will enhance the guiding role of innovation and transformation and strengthen capability building on all fronts. The Bank will reinforce the leading role of risk management, and introduce an innovative mechanism of pre-lending marketing, lending review and approval, and intelligent and intensive post-lending management. The Bank will innovate and transform its customer service, strengthen product and service innovation and enhance the customer service capabilities to satisfy the full-lifecycle and all-round needs of customers. Taking efficiency as the guide and technology as the support, the Bank will reform the management system and mechanism, promote the intensive reform and improve the overall management efficiency.

Fourthly, it will improve the information technology capability and strengthen technology support. The Bank will continue to promote digital transformation, improve independent research and development capabilities, and strengthen the integration of business and technology. It will accelerate data capacity building, strengthen data governance, build a bank-wide data asset view, and achieve data-driven customer acquisition, activation and retention. It will establish an intelligent operation and maintenance system, enrich the scenarios for automated operation and maintenance, expand the coverage and improve accuracy of the unified monitoring system.

Fifthly, it will better coordinate development and security, and firmly guard the lines of defense against risks. The Bank will improve the dynamic risk monitoring mechanism, develop an enterprise-level risk data sharing system, and continue to improve the comprehensive risk management system. It will strengthen the application of intelligent risk control, focus on risks in key areas, and take more forward-looking and targeted credit risk management measures. It will optimize the long-effect mechanism for case-based internal control and strengthen security.

Analysis of Financial Statements

In 2022, the Bank actively responded to changes in the external environment, pursued high-quality development as its priority and value creation as its aim, firmly seized market opportunities, sped up the transformation and development and provided targeted and efficient services for the real economy, hence achieving solid improvements both in business scale and efficiency.

The Bank's profitability maintained stable. During the reporting period, the Bank recorded a net profit attributable to equity holders of the Bank of RMB85,224 million, representing a year-on-year increase of 11.89%. The operating income amounted to RMB335,391 million, representing a year-on-year increase of 5.10%, among which: the net interest income was RMB273,593 million, representing a year-on-year increase of 1.56%; and the net fee and commission income was RMB28,434 million, representing a year-on-year increase of 29.20%. Return on weighted average equity was 11.89%, up 0.03 percentage point compared with the same period of last year. Earnings per share was RMB0.85, up RMB0.07 compared with the same period of last year.

The Bank achieved stable growth in business scale. As at the end of the reporting period, the Bank's total assets exceeded RMB14 trillion to reach RMB14,067.282 billion, an increase of 11.75% over the prior year-end; among which the total loans to customers amounted to RMB7,210,433 million, an increase of 11.72% over the prior year-end. The total liabilities reached RMB13,241.468 billion, an increase of 12.29% over the prior year-end, where the customer deposits reached RMB12,714.485 billion, up 11.98% over the prior year-end, mainly driven by the increase in deposits with maturities of one year or less.

Analysis of Income Statement

During the reporting period, the Bank recorded a net profit of RMB85,355 million, representing a year-on-year increase of RMB8,823 million or 11.53%.

Changes of Key Items in the Income Statement

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Change (%)
Net interest income	273,593	269,382	4,211	1.56
Net fee and commission income	28,434	22,007	6,427	29.20
Net other non-interest income	33,364	27,718	5,646	20.37
Operating income	335,391	319,107	16,284	5.10
Less: Operating expenses	208,680	190,995	17,685	9.26
Credit impairment losses	35,328	46,638	(11,310)	(24.25)
Impairment losses on other assets	19	20	(1)	(5.00)
Profit before income tax	91,364	81,454	9,910	12.17
Less: Income tax expenses	6,009	4,922	1,087	22.08
Net profit	85,355	76,532	8,823	11.53
Attributable to equity holders of the Bank	85,224	76,170	9,054	11.89
Attributable to non-controlling interests	131	362	(231)	(63.81)
Other comprehensive income	(6,650)	9,329	(15,979)	(171.28)
Total comprehensive income	78,705	85,861	(7,156)	(8.33)

Net Interest Income

During the reporting period, the Bank realized a net interest income of RMB273,593 million, representing an increase of RMB4,211 million, or 1.56% compared with the same period of the prior year. Net interest margin and net interest spread were 2.20% and 2.18%, respectively.

Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In millions of RMB, except for percentages

Item	2022 Average balance	2022 Interest income/ expense	2022 Average yield/cost (%)	2021 Average balance	2021 Interest income/ expense	2021 Average yield/cost (%)
Assets						
Total loans to customers	6,899,837	309,240	4.48	6,133,063	287,207	4.68
Investments[1]	3,743,743	128,424	3.43	3,548,414	127,677	3.60
Deposits with central bank[2]	1,176,951	19,182	1.62	1,160,105	18,902	1.62
Deposits and placements with banks and other financial institutions[3]	629,301	17,394	2.76	597,065	17,781	2.98
Total interest-earning assets	12,449,832	474,240	3.81	11,438,647	451,567	3.95
Allowance for impairment losses on assets	(261,489)	–	–	(239,944)	–	–
Non-interest-earning assets[4]	1,196,773	–	–	863,724	–	–
Total assets	13,385,116	–	–	12,062,427	–	–
Liabilities						
Customer deposits	11,930,632	192,661	1.61	10,723,890	175,218	1.63
Deposits and placements from banks and other financial institutions[5]	224,456	4,132	1.84	224,932	4,100	1.82
Debt securities issued[6]	97,582	3,486	3.57	70,965	2,586	3.64
Borrowings from central bank	20,428	368	1.80	17,029	281	1.65
Total interest-bearing liabilities	12,273,098	200,647	1.63	11,036,816	182,185	1.65
Non-interest-bearing liabilities[7]	242,308	–	–	251,885	–	–
Total liabilities	12,515,406	–	–	11,288,701	–	–
Net Interest Income	–	273,593	–	–	269,382	–
Net interest spread[8]	–	–	2.18	–	–	2.30
Net interest margin[9]	–	–	2.20	–	–	2.36

Note (1): Consists of interest-earning assets in financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost.

Note (2): Consists of statutory deposit reserves and surplus deposit reserves.

Note (3): Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

Note (4): Consists of financial assets measured at fair value through profit or loss, cash, property and equipment, derivative financial assets, deferred tax assets and other assets.

Note (5): Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Note (6): Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

Note (7): Consists of derivative financial liabilities, employee benefits payable, liabilities for agency services, corporate income tax payable and other liabilities.

Note (8): Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

Note (9): Calculated by dividing net interest income by the average balance of total interest-earning assets.

Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In millions of RMB

Item	2022 vs 2021 Increase/(decrease)		
	Volume(1)	Interest rate(2)	Total(3)
Assets			
Total loans to customers	34,366	(12,333)	22,033
Investments	6,700	(5,953)	747
Deposits with central bank	275	5	280
Deposits and placements with banks and other financial institutions	891	(1,278)	(387)
Total changes in interest income	42,232	(19,559)	22,673
Liabilities			
Customer deposits	19,487	(2,044)	17,443
Deposits and placements from banks and other financial institutions	(8)	40	32
Debt securities issued	951	(51)	900
Borrowings from central bank	61	26	87
Total changes in interest expense	20,491	(2,029)	18,462
Changes in net interest income	21,741	(17,530)	4,211

Note (1): Represents the difference between the average balance for the period and the average balance for the previous period, multiplied by the average yield/cost for the period.

Note (2): Represents the difference between the average yield/cost for the period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

Note (3): Represents the difference between the interest income/expense for the period and the interest income/expense for the previous period.

Interest Income

During the reporting period, the Bank's interest income amounted to RMB474,240 million, representing an increase of RMB22,673 million, or 5.02% compared with the same period of the prior year, primarily due to the growth in the scale of interest-earning assets and the increased proportions of credit assets.

Interest Income from Loans to Customers

During the reporting period, the Bank continued to support the real economy by increasing credit allocation, realizing RMB309,240 million in interest income from loans to customers, representing an increase of RMB22,033 million, or 7.67% compared with the same period of the prior year.

Specifically, interest income from personal loans amounted to RMB204,551 million, representing an increase of RMB15,530 million, or 8.22% compared with the same period of the prior year. It was mainly because the Bank seized development opportunities such as rural revitalization and green and low-carbon development, actively innovated business model, precisely matched with customers' financial needs, achieving an increase in the average balance of personal loans such as micro loans, consumption loans and credit cards.

Interest income from corporate loans amounted to RMB95,834 million, representing an increase of RMB9,715 million, or 11.28% compared with the same period of the prior year, primarily because the Bank provided targeted services for the real economy, expanded key customers and projects by forward-looking approaches and granted more medium and long-term loans to key areas focusing on specialized and sophisticated enterprises that produce new and unique products, transportation infrastructure, clean energy, and ecological and environmental protection, which led to an increase in the average balance of corporate loans.

Interest income from discounted bills registered RMB8,855 million, representing a decrease of RMB3,212 million, or 26.62% compared with the same period of the prior year, mainly because of downward interest rates on bills.

Analysis on Average Yield of Loans to Customers by Business Line

In millions of RMB, except for percentages

	2022			2021		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Personal loans	3,914,687	204,551	5.23	3,529,827	189,021	5.35
Corporate loans	2,494,670	95,834	3.84	2,147,034	86,119	4.01
Discounted bills	490,480	8,855	1.81	456,202	12,067	2.65
Total loans to customers	6,899,837	309,240	4.48	6,133,063	287,207	4.68

Analysis on Average Yield of Loans to Customers by Maturity Structure

In millions of RMB, except for percentages

Item	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	2,472,616	107,905	4.36	2,276,388	102,341	4.50
Medium- and long-term loans	4,427,221	201,335	4.55	3,856,675	184,866	4.79
Total loans to customers	6,899,837	309,240	4.48	6,133,063	287,207	4.68

Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB128,424 million, representing an increase of RMB747 million, or 0.59% compared with the same period of the prior year, primarily driven by the increase of average balance of financial investments such as bonds.

Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB19,182 million, representing an increase of RMB280 million, or 1.48% compared with the same period of the prior year, primarily driven by the increase of the scale of statuary deposit reserves with central bank.

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB17,394 million, representing a decrease of RMB387 million, or 2.18% compared with the same period of the prior year. It was primarily due to the decline both in the scale and yield of financial assets held under resale agreements.

Interest Expense

During the reporting period, the Bank's interest expense amounted to RMB200,647 million, representing an increase of RMB18,462 million, or 10.13% year on year, primarily due to the increased interest expense on customer deposits.

Interest Expense on Customer Deposits

During the reporting period, the Bank's interest expense on customer deposits amounted to RMB192,661 million, representing an increase of RMB17,443 million, or 9.96% year on year, primarily driven by the growth in the scale of deposits. The Bank tapped the potential of restructuring and vigorously promoted the development of value deposits, effectively reducing high-interest deposits and lowering the cost of personal deposits by 5 basis points year on year.

Analysis on Average Cost of Customer Deposits by Product Type

In millions of RMB, except for percentages

Item	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Personal deposits						
Demand deposits	2,913,777	8,173	0.28	2,792,014	8,609	0.31
Time deposits	7,653,179	166,299	2.17	6,631,739	151,363	2.28
Subtotal	10,566,956	174,472	1.65	9,423,753	159,972	1.70
Corporate deposits						
Demand deposits	911,537	7,681	0.84	902,769	5,936	0.66
Time deposits	452,139	10,508	2.32	397,368	9,310	2.34
Subtotal	1,363,676	18,189	1.33	1,300,137	15,246	1.17
Total customer deposits	11,930,632	192,661	1.61	10,723,890	175,218	1.63

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB4,132 million, representing an increase of RMB32 million, or 0.78% compared with the same period of the prior year, mainly due to the increase in the scale of placements from banks and other financial institutions of subsidiaries to meet the needs of business development.

Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB3,486 million, representing an increase of RMB900 million, or 34.80% compared with the same period of the prior year, primarily due to the increase in the average balance driven by the issuance of tier 2 capital bonds.

Net Fee and Commission Income

During the reporting period, the net fee and commission income of the Bank amounted to RMB28,434 million, representing an increase of RMB6,427 million, or 29.20% compared with the same period of the prior year. Among that, fee and commission income amounted to RMB49,745 million, representing an increase of RMB7,362 million, or 17.37% compared with the same period of the prior year. Fee and commission expenses amounted to RMB21,311 million, representing an increase of RMB935 million, or 4.59% compared with the same period of the prior year.

Specifically, agency business fee income amounted to RMB16,799 million, representing an increase of RMB4,322 million, or 34.64% compared with the same period of the prior year. It was mainly because the Bank accelerated the transformation and upgrading of the wealth management business, improved capabilities in professional and differentiated customer assets allocation, and the income from bancassurance and other businesses achieved rapid growth. Wealth management business fee income amounted to RMB7,606 million, representing an increase of RMB2,436 million, or 47.12% compared with the same period of the prior year, primarily due to the one-off factor for the transformation to net-value products. Investment banking fee income amounted to RMB1,671 million, representing an increase of RMB305 million or 22.33% compared with the same period of the prior year, mainly because the Bank accelerated the transformation and upgrading and actively expanded bond underwriting, syndicated loans, asset securitization and other businesses, thus realizing rapid growth in the investment banking income. Fee and commission expense amounted to RMB21,311 million, representing an increase of RMB935 million, or 4.59% compared with the same period of the prior year, primarily due to an increase in the commission expense paid to agency outlets.

Components of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Change (%)
Agency business	16,799	12,477	4,322	34.64
Bank cards business	11,882	11,951	(69)	(0.58)
Settlement and clearing	9,535	9,626	(91)	(0.95)
Wealth management	7,606	5,170	2,436	47.12
Investment banking	1,671	1,366	305	22.33
Custody business	1,214	1,164	50	4.30
Others	1,038	629	409	65.02
Fee and commission income	49,745	42,383	7,362	17.37
Less: Fee and commission expense	21,311	20,376	935	4.59
Net fee and commission income	28,434	22,007	6,427	29.20

Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB33,364 million, representing an increase of RMB5,646 million, or 20.37% compared with the same period of the prior year.

Net trading gains amounted to RMB3,673 million, representing an increase of RMB387 million, or 11.78% compared with the same period of the prior year, primarily driven by the increase in gains from interbank certificates of deposits.

Net gains on investment securities amounted to RMB21,559 million, representing a decrease of RMB1,522 million, or 6.59% compared with the same period of the prior year. The Bank proactively optimized the investment layout, strengthened the allocation of high-quality assets like securities investment funds with tax benefits and less capital consumption, which led to an increase in returns on investments. The Bank also recorded an increase in trading spread yield by increasing the scale and frequency of trading turnover of assets. However, due to decreased valuation of bonds and funds attributable to market fluctuations and rising dividend received from investments in funds, net gains on investment securities decreased compared with the same period of the prior year.

Net other operating gains amounted to RMB7,209 million, representing an increase of RMB6,464 million compared with the same period of the prior year, primarily due to the increase in exchange gains resulted from the appreciation of the U.S. dollar against the RMB.

Components of Net Other Non-Interest Income

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Change (%)
Net trading gains	3,673	3,286	387	11.78
Net gains on investment securities	21,559	23,081	(1,522)	(6.59)
Net gains on derecognition of financial assets measured at amortized cost	920	606	314	51.82
Net other operating gains	7,209	745	6,464	867.65
Share of results of associates	3	–	3	–
Total	33,364	27,718	5,646	20.37

Operating Expenses

During the reporting period, the Bank continued to highlight the concept of return on resources, and allocated resources to expenses in a scientific manner to effectively support business development. Operating expenses amounted to RMB208,680 million, representing an increase of RMB17,685 million, or 9.26% compared with the same period of the prior year.

In particular, deposit agency fee and others amounted to RMB102,248 million, representing an increase of RMB13,066 million, or 14.65% compared with the same period of the prior year, primarily due to the increase in the scale of personal deposits taken by agency outlets. Staff costs amounted to RMB62,878 million, representing an increase of RMB3,650 million, or 6.16% compared with the same period of the prior year. It was mainly because the Bank continued to strengthen the building of a professional workforce, with steady growth in human resources investment. Depreciation and amortization stood at RMB11,300 million, representing an increase of RMB2,263 million, or 25.04% compared with the same period of the prior year, mainly because the Bank increased investment in information technology construction in recent years, driving increase in depreciation of property and equipment and amortization of intangible assets. Other expenses stood at RMB29,634 million, representing a decrease of RMB1,446 million, or 4.65% compared with the same period of the prior year.

Major Components of Operating Expenses

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Change (%)
Deposit agency fee and others	102,248	89,182	13,066	14.65
Staff costs	62,878	59,228	3,650	6.16
Depreciation and amortization	11,300	9,037	2,263	25.04
Taxes and surcharges	2,620	2,468	152	6.16
Other expenses	29,634	31,080	(1,446)	(4.65)
Total operating expenses	208,680	190,995	17,685	9.26

Credit Impairment Losses

During the reporting period, the Bank continued to adhere to a prudent risk management policy and made a provision for impairment in an objective and reasonable manner. In 2022, the credit impairment losses amounted to RMB35,328 million, representing a decrease of RMB11,310 million, or 24.25% compared with the same period of the prior year, among which, the impairment losses on loans to customers amounted to RMB37,588 million, representing an increase of RMB8,860 million, or 30.84% compared with the same period of the prior year; impairment losses on financial investments amounted to RMB-2,745 million, representing a decrease of RMB14,945 million compared with the same period of the prior year, which was mainly attributable to the impact of incorporating wealth management assets at risk into its balance sheet last year.

Income Tax Expenses

During the reporting period, the Bank's income tax expenses amounted to RMB6,009 million, representing an increase of RMB1,087 million, or 22.08% compared with the same period of the prior year, primarily due to the growth in profit before income tax.

Segment Information

Operating Income by Business Segment

In millions of RMB, except for percentages

Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal banking	235,420	70.19	221,883	69.53
Corporate banking	50,128	14.95	59,105	18.52
Treasury business	49,220	14.67	37,706	11.82
Others	623	0.19	413	0.13
Total operating income	335,391	100.00	319,107	100.00

For further details of business scope of each segment, please refer to "Notes to the Consolidated Financial Statements – 44.1 Operating segment".

Operating Income by Geographical Region

In millions of RMB, except for percentages

Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	9,290	2.77	23,092	7.24
Yangtze River Delta	52,957	15.79	48,530	15.21
Pearl River Delta	44,196	13.18	39,575	12.40
Bohai Rim	50,299	15.00	45,811	14.36
Central China	92,198	27.48	82,694	25.91
Western China	65,598	19.56	60,297	18.90
Northeastern China	20,853	6.22	19,108	5.98
Total operating income	335,391	100.00	319,107	100.00

For further details of business scope of each geographical region, please refer to "Notes to the Consolidated Financial Statements – 44.2 Geographical segment".

Balance Sheet Analysis

Assets

As at the end of the reporting period, the Bank's total assets amounted to RMB14,067,282 million, representing an increase of RMB1,479,409 million, or 11.75% compared with the prior year-end, of which total loans to customers amounted to RMB7,210,433 million, representing an increase of RMB756,334 million, or 11.72% compared with the prior year-end; financial investments amounted to RMB4,958,899 million, representing an increase of RMB610,279 million, or 14.03% compared with the prior year-end; cash and deposits with central bank amounted to RMB1,263,951 million, representing an increase of RMB74,493 million, or 6.26% compared with the prior year-end. In terms of the structure, net loans to customers accounted for 49.60% of total assets, representing an increase of 0.05 percentage point compared with the prior year-end; financial investments accounted for 35.25% of total assets, representing an increase of 0.70 percentage point compared with the prior year-end; cash and deposits with central bank accounted for 8.99% of total assets, representing a decrease of 0.46 percentage point compared with the prior year-end; deposits and placements with banks and other financial institutions and financial assets held under resale agreements collectively accounted for 4.94% of total assets, representing a decrease of 0.12 percentage point compared with the prior year-end; the asset structure was further optimized.

Key Items of Assets

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans to customers	7,210,433	–	6,454,099	–
Less: Allowance for impairment losses on loans[1]	232,723	–	216,900	–
Loans to customers, net	6,977,710	49.60	6,237,199	49.55
Financial investments	4,958,899	35.25	4,348,620	34.55
Cash and deposits with central bank	1,263,951	8.99	1,189,458	9.45
Deposits with banks and other financial institutions	161,422	1.15	90,782	0.72
Placements with banks and other financial institutions	303,310	2.16	280,093	2.23
Financial assets held under resale agreements	229,870	1.63	265,229	2.11
Other assets[2]	172,120	1.22	176,492	1.39
Total assets	14,067,282	100.00	12,587,873	100.00

Note (1): Allowance for impairment losses on loans to customers measured at amortized cost.

Note (2): Other assets consist primarily of property and equipment, deferred tax assets, right-of-use assets, settlement and clearance payables, other receivables and derivative financial assets, etc.

Loans to Customers

As at the end of the reporting period, total loans to customers amounted to RMB7,210,433 million, representing an increase of RMB756,334 million, or 11.72% compared with the prior year-end.

Loans to Customers by Business Line

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal loans	4,046,105	56.11	3,756,153	58.20
Corporate loans	2,669,362	37.02	2,253,936	34.92
Discounted bills	494,966	6.87	444,010	6.88
Total loans to customers	7,210,433	100.00	6,454,099	100.00

Loans to Customers by Maturity

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term loans	2,607,204	36.16	2,375,999	36.81
Medium- and long-term loans	4,603,229	63.84	4,078,100	63.19
Total loans to customers	7,210,433	100.00	6,454,099	100.00

Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	351,522	4.88	342,903	5.31
Yangtze River Delta	1,464,429	20.31	1,305,967	20.23
Pearl River Delta	946,038	13.12	813,089	12.60
Bohai Rim	1,079,811	14.98	964,919	14.95
Central China	1,772,273	24.57	1,583,333	24.53
Western China	1,217,601	16.89	1,105,157	17.12
Northeastern China	378,759	5.25	338,731	5.26
Total loans to customers	7,210,433	100.00	6,454,099	100.00

Personal Loans

As at the end of the reporting period, the Bank's total personal loans amounted to RMB4,046,105 million, representing an increase of RMB289,952 million, or 7.72% compared with the prior year-end.

In particular, personal consumer loans amounted to RMB2,728,645 million, representing an increase of RMB62,715 million, or 2.35% compared with the prior year-end. This was primarily because the Bank strictly implemented the housing credit policy, offered strong support to meet the needs of first-time home buyers and improvement needs, and made every effort to provide financial services for residential mortgage loans, which led to the growth in the scale of residential mortgage loans.

Personal micro loans amounted to RMB1,135,194 million, representing an increase of RMB219,840 million, or 24.02% compared with the prior year-end, mainly because the Bank grasped opportunities brought by the rural revitalization strategy and comprehensively promoted the digital transformation of Sannong finance and the development of rural credit system, achieving rapid growth in the scale of micro loans.

Personal Loans by Product Type

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Consumer loans	2,728,645	67.44	2,665,930	70.98
Residential mortgage loans	2,261,763	55.90	2,169,309	57.75
Other consumer loans	466,882	11.54	496,621	13.23
Personal micro loans(1)	1,135,194	28.06	915,354	24.37
Credit card overdrafts and others	182,266	4.50	174,869	4.65
Total personal loans	4,046,105	100.00	3,756,153	100.00

Note (1): Personal micro loans mainly include loans granted for personal businesses.

Corporate Loans

As at the end of the reporting period, the Bank's total corporate loans amounted to RMB2,669,362 million, representing an increase of RMB415,426 million, or 18.43% compared with the prior year-end. This was primarily because the Bank actively supported the development strategies of national key regions, supported the development of the real economy and increased the supply of corporate loans to fields including infrastructure, green development, manufacturing, technological innovation, etc. In addition, it promoted the establishment of a new "1 plus N" operation and service system in order to improve the professional service capabilities of corporate banking business, and achieved rapid growth in the scale of corporate loans.

As at the end of the reporting period, the top five industries to which the Bank granted corporate loans were transportation, storage and postal services; manufacturing; financial services; production and supply of electricity, heating, gas and water; and real estate industry. The balance of loans extended to the top five industries in aggregate accounted for 71.57% of total corporate loans, representing a decrease of 1.14 percentage points compared with the prior year-end.

Corporate Loans by Industry

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Transportation, storage and postal services	780,283	29.24	706,262	31.33
Manufacturing	409,673	15.35	326,840	14.50
Financial services	254,629	9.54	237,739	10.55
Production and supply of electricity, heating, gas and water	254,075	9.52	229,209	10.17
Real estate	211,525	7.92	138,886	6.16
Wholesale and retail	179,418	6.72	129,855	5.76
Construction	154,868	5.80	119,839	5.32
Leasing and commercial services	148,482	5.56	135,092	5.99
Water conservancy, environmental and public facilities management	128,776	4.82	110,607	4.91
Mining	70,036	2.62	60,798	2.70
Other industries(1)	77,597	2.91	58,809	2.61
Total corporate loans	2,669,362	100.00	2,253,936	100.00

Note (1): Other industries consist of the agriculture, forestry, animal husbandry, fishery; information transmission, computer services and the software industry, etc.

Discounted Bills

As at the end of the reporting period, the Bank's discounted bills amounted to RMB494,966 million, representing an increase of RMB50,956 million, or 11.48% compared with the prior year-end, mainly because the Bank acted proactively to meet customers' funding needs and facilitated the development of the real economy.

Financial Investments

During the reporting period, the Bank followed investment analysis as guidance, scientifically formulated fund allocation strategies, reasonably adjusted the investment pace and continued to expand investment channels, achieving steady growth in financial investments. As at the end of the reporting period, the Bank's financial investments amounted to RMB4,958,899 million, representing an increase of RMB610,279 million, or 14.03% compared with the prior year-end, primarily due to increased investments in debt securities, securities investment funds, asset management plans, etc.

Investments by Product

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities	3,684,309	74.30	3,237,443	74.45
Securities investment funds	523,774	10.56	390,373	8.98
Interbank certificates of deposits	404,010	8.15	411,468	9.46
Trust investment plans	200,179	4.04	204,783	4.71
Asset management plans	122,943	2.48	80,017	1.84
Others	23,684	0.47	24,536	0.56
Total financial investments	4,958,899	100.00	4,348,620	100.00

Investment Structure by Type of Investment Instruments

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,947,575	99.77	4,334,932	99.69
Equity instruments	11,324	0.23	13,688	0.31
Total financial investments	4,958,899	100.00	4,348,620	100.00

Financial Investments by Measurement Approach

In terms of measurement approach, as at the end of the reporting period, the Bank's financial assets measured at fair value through profit or loss amounted to RMB863,783 million, representing an increase of RMB113,186 million, or 15.08% compared with the prior year-end, mainly due to the increase in the scale of securities investment funds and asset management plans; financial assets measured at fair value through other comprehensive income amounted to RMB425,518 million, representing an increase of RMB107,498 million, or 33.80% compared with the prior year-end, mainly attributable to the increase in the scale of government bonds and bonds issued by financial institutions; and financial assets measured at amortized costs stood at RMB3,669,598 million, representing an increase of RMB389,595 million or 11.88% over the prior year-end, primarily due to the increase in the scale of government bonds and bonds issued by financial institutions.

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets measured at fair value through profit or loss	863,783	17.42	750,597	17.26
Financial assets measured at fair value through other comprehensive income	425,518	8.58	318,020	7.31
Financial assets measured at amortized cost	3,669,598	74.00	3,280,003	75.43
Total financial investments	4,958,899	100.00	4,348,620	100.00

Investments in Debt Securities

As at the end of the reporting period, the Bank's investments in debt securities amounted to RMB3,684,309 million, representing an increase of RMB446,866 million, or 13.80% compared with the prior year-end, mainly because the Bank strengthened its research and prediction on interest rate trends, seized market opportunities and increased investments in local government bonds with less capital consumption and tax benefits as well as long duration bonds issued by financial institutions.

Investments in Debt Securities by Issuing Institution

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,538,424	41.76	1,310,629	40.48
Bonds issued by financial institutions	1,937,743	52.59	1,750,392	54.07
Corporate bonds	208,142	5.65	176,422	5.45
Total investments in debt securities	3,684,309	100.00	3,237,443	100.00

Investments in Debt Securities by Remaining Maturity

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	10	0.00	27	0.00
Within 3 months	141,658	3.84	96,977	3.00
3-12 months	318,637	8.65	439,875	13.59
1-5 years	1,524,403	41.38	1,463,183	45.20
Over 5 years	1,699,601	46.13	1,237,381	38.21
Total investments in debt securities	3,684,309	100.00	3,237,443	100.00

Investments in Debt Securities by Currency

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,629,861	98.52	3,181,529	98.27
Foreign currencies	54,448	1.48	55,914	1.73
Total investments in debt securities	3,684,309	100.00	3,237,443	100.00

Discussion and Analysis

Financial Bonds

As at the end of the reporting period, the Bank held RMB1,937,743 million of financial bonds issued by financial institutions, of which, bonds issued by policy banks amounted to RMB1,759,487 million, accounting for 90.80% of the total.

The Top Ten Financial Bonds in Terms of Par Value

In millions of RMB, except for percentages

Debt Securities	Par value	Annual interest rates (%)	Maturity date	Allowance for impairment losses[1]
2015 Policy Financial Bonds	69,407.05	3.71	2025/8/31	–
2021 Policy Financial Bonds	40,765.00	3.41	2031/6/7	–
2015 Policy Financial Bonds	38,896.21	3.08	2035/9/28	–
2016 Policy Financial Bonds	33,420.00	3.05	2026/8/25	–
2017 Policy Financial Bonds	32,530.00	4.04	2027/4/10	–
2017 Policy Financial Bonds	32,160.00	4.30	2024/8/21	–
2019 Policy Financial Bonds	31,980.00	3.28	2024/2/11	–
2019 Policy Financial Bonds	31,300.00	3.48	2029/1/8	–
2022 Policy Financial Bonds	30,570.00	2.61	2027/1/27	–
2021 Policy Financial Bonds	29,960.00	3.48	2028/2/4	–

Note (1): Excludes allowance for impairment losses for the stage 1 set aside in accordance with the new financial instrument standards.

Liabilities

As at the end of the reporting period, the Bank's total liabilities amounted to RMB13,241,468 million, representing an increase of RMB1,449,144 million, or 12.29% compared with the prior year-end. Among that, customer deposits amounted to RMB12,714,485 million, representing an increase of RMB1,360,412 million, or 11.98% compared with the prior year-end; deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to a total of RMB305,115 million, representing an increase of RMB73,098 million, or 31.51% compared with the prior year-end.

Key Items of Liabilities

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Customer deposits	12,714,485	96.02	11,354,073	96.28
Deposits from banks and other financial institutions	78,770	0.59	154,809	1.31
Placements from banks and other financial institutions	42,699	0.32	42,565	0.36
Financial assets sold under repurchase agreements	183,646	1.39	34,643	0.29
Debt securities issued	101,910	0.77	81,426	0.69
Borrowings from central bank	24,815	0.19	17,316	0.15
Other liabilities[1]	95,143	0.72	107,492	0.92
Total liabilities	13,241,468	100.00	11,792,324	100.00

Note (1): Consist of provisions, derivative financial liabilities, employee benefits payable, lease liabilities, agency business liabilities, corporate income tax payable, deferred tax liabilities and other liabilities.

Customer Deposits

As at the end of the reporting period, the Bank's total customer deposits amounted to RMB12,714,485 million, representing an increase of RMB1,360,412 million, or 11.98% compared with the prior year-end. The scale of core liabilities continued to grow steadily.

In particular, personal deposits amounted to RMB11,282,197 million, representing an increase of RMB1,236,562 million, or 12.31% compared with the prior year-end. It was mainly because the Bank took the development of value deposits as the core and further improved the volume and quality of personal deposits, and realized rapid growth of deposits with maturities of one year or less. Corporate deposits amounted to RMB1,429,566 million, representing an increase of RMB124,130 million, or 9.51% compared with the prior year-end. It was mainly because the Bank strengthened comprehensive marketing around key customer groups, constantly improved the financial service capability for corporate customers, and achieved rapid growth in the scale of corporate deposits.

Customer Deposits by Product and Customer

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal deposits	11,282,197	88.73	10,045,635	88.47
Demand deposits	3,185,218	25.05	3,008,998	26.50
Time deposits	8,096,979	63.68	7,036,637	61.97
Corporate deposits	1,429,566	11.24	1,305,436	11.50
Demand deposits	924,174	7.27	898,371	7.91
Time deposits	505,392	3.97	407,065	3.59
Other deposits(1)	2,722	0.03	3,002	0.03
Total customer deposits	12,714,485	100.00	11,354,073	100.00

Note (1): Other deposits consist of remittance payable, credit card deposits and outbound remittance, etc.

Customer Deposits by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	2,441	0.02	2,597	0.02
Yangtze River Delta	2,000,354	15.73	1,742,301	15.35
Pearl River Delta	1,166,980	9.18	1,062,125	9.35
Bohai Rim	1,944,364	15.29	1,735,582	15.29
Central China	3,960,154	31.15	3,525,754	31.05
Western China	2,707,062	21.29	2,439,846	21.49
Northeastern China	933,130	7.34	845,868	7.45
Total customer deposits	12,714,485	100.00	11,354,073	100.00

Customer Deposits by Remaining Maturity

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Repayable on demand	4,200,104	33.04	3,967,774	34.95
Within 3 months	3,134,230	24.65	2,771,431	24.41
3-12 months	3,983,662	31.33	3,483,183	30.68
1-5 years	1,396,489	10.98	1,131,685	9.96
Over 5 years	–	–	–	–
Total customer deposits	12,714,485	100.00	11,354,073	100.00

Equity

As at the end of the reporting period, the Bank's total equity amounted to RMB825,814 million, representing an increase of RMB30,265 million, or 3.80% compared with the prior year-end, mainly due to the realization of RMB85,355 million in net profit for the year, RMB29,564 million of distributed dividends on ordinary shares, preference shares and perpetual bonds, RMB47,869 million of redeemed offshore preference shares as well as RMB30 billion of proceeds raised by the issuance of perpetual bonds.

Composition of Equity

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	92,384	11.19	92,384	11.61
Other equity instruments – preference shares	–	–	47,869	6.02
Other equity instruments – perpetual bonds	139,986	16.95	109,986	13.83
Capital reserve	124,479	15.07	125,486	15.77
Other comprehensive income	4,918	0.60	12,054	1.52
Surplus reserve	58,478	7.08	50,105	6.30
General reserve	178,784	21.65	157,367	19.78
Retained earnings	225,196	27.27	198,840	24.99
Equity attributable to equity holders of the Bank	824,225	99.81	794,091	99.82
Non-controlling interests	1,589	0.19	1,458	0.18
Total equity	825,814	100.00	795,549	100.00

Off-Balance Sheet Items

The Bank's off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments.

Derivative financial instruments mainly include interest rate contracts, exchange rate contracts and others. For details of notional amount and fair value of derivative financial instruments, please refer to "Notes to the Consolidated Financial Statements – 18 Derivative financial assets and liabilities".

Contingent liabilities and commitments mainly consist of lawsuits and claims, capital commitments, credit commitments, collateralized and pledged assets, and commitments on redemption of government bonds. For details of contingent liabilities and commitments, please refer to "Notes to the Consolidated Financial Statements – 42 Contingent liabilities and commitments". Credit commitments consist of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit, and unused credit card commitments.

Components of Credit Commitments

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	91,593	13.11	152,623	24.18
Bank acceptances	95,218	13.62	36,158	5.73
Guarantees and letters of guarantee	56,229	8.05	42,859	6.79
Letters of credit	65,535	9.38	32,209	5.10
Unused credit card commitments	390,287	55.84	367,441	58.20
Total credit commitments	698,862	100.00	631,290	100.00

Analysis of Cash Flow Statement

During the reporting period, net cash generated from operating activities of the Bank was RMB474,914 million, a year-on-year increase of RMB365,357 million, mainly due to the increase in customer deposits and cash received from financial assets sold under repurchase agreements as compared to the same period last year.

During the reporting period, net cash used in investing activities of the Bank amounted to RMB511,507 million, representing a year-on-year increase of RMB328,590 million, primarily due to the increase in cash paid for investments in debt securities compared to the same period of the prior year.

During the reporting period, net cash used in financing activities of the Bank amounted to RMB37,737 million, compared with a net cash inflow of RMB52,263 million in the previous year, primarily due to the increase in cash paid for the redemption of previously issued offshore preference shares as compared to the previous year.

Other Financial Information

Explanation of Changes in Accounting Policies

There were no significant changes in accounting policies of the Bank during the reporting period.

Explanation of Differences in Financial Statements Prepared Under Domestic and International Accounting Standards

There was no difference between the net profit and the total equity in the consolidated financial statements prepared by the Bank under PRC GAAP and the corresponding figures prepared by the Bank under IFRSs.

Information on Debt Securities

During the reporting period, the Bank did not issue any corporate bonds, enterprise bonds or debt financing instruments of non-financial enterprises that need to be disclosed in accordance with the Standards Concerning the Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 2 – Contents and Formats of Annual Reports (Revision 2021) and the Management Measures for the Information Disclosure of Corporate Credit Bonds.

Discussion and Analysis

Retail Banking Business

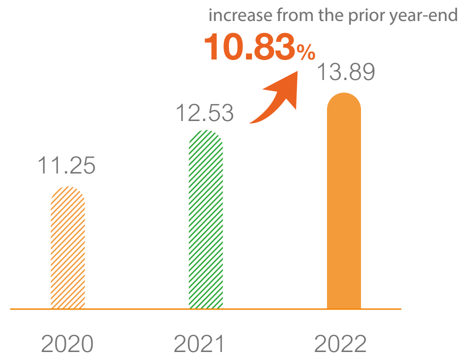
The Bank served more than 650 million personal customers.

Its assets under management (AUM) of personal customers was nearly RMB 14 trillion, an increase of RMB 1.36 trillion over the prior year-end.

Income of personal banking business grew by 6.10% year on year, accounting for 70.19% of the operating income, up 0.66 percentage point year on year.

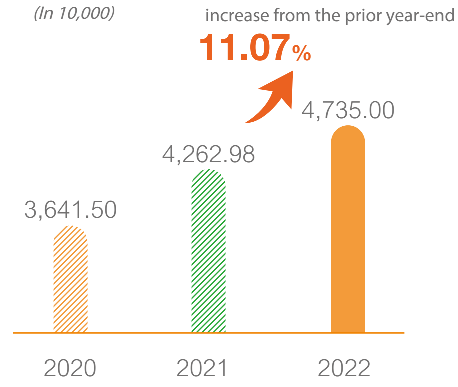
AUM of Personal Customers

(In RMB trillion)



Number of VIP Customers

(In 10,000)



Unswervingly following the strategy of building a first-tier large retail bank and adhering to the concept of customer centricity and value creation for customers, the Bank focused on improving capabilities in six aspects, fostered differentiated competitive advantages, and accelerated the transformation toward a "wealth management bank", so as to help a wide range of customers share in the gains of China's economic development, and create value for both customers and the Bank itself. During the reporting period, the income from personal banking business rose by 6.10% year on year, accounting for 70.19% of the operating income, up 0.66 percentage point year on year. The Bank served 652 million personal customers, with its AUM of personal customers reaching RMB13.89 trillion, an increase of RMB1.36 trillion over the prior year-end. Personal deposits stood at RMB11.28 trillion, up by RMB1.24 trillion over the prior year-end. Personal loans amounted to RMB4,046,105 million, an increase of RMB289,952 million over the prior year-end.

The Bank developed professional capability of customer service and improved the quality of financial services. It refined its service based on customer grouping and segmentation, focused on creating value for customers, and provided professional asset allocation services to help customers share in the gains of economic growth. It strengthened credit product innovation and enhanced process optimization for credit cards to satisfy diversified financing needs of customers. It also explored ways to establish a cross-channel integrated financial service system covering "all products, all channels, and all customer groups", built the offline outlets into a value creation platform for customers, so as to reach customers in an all-round way and provide better and convenient financial services with a human touch.

The Bank intensified the leading role of FinTech innovation and improved the efficiency of financial services. It optimized the customer relationship management system (CRM platform) and the wealth management system, and adopted targeted measures based on specific customer conditions when providing wealth management services. It launched mobile banking 8.0, sped up the development of smart scenarios and the promotion of "mobile business circles", and explored featured scenarios for county areas and a financial eco-system for key cities, providing customers with all-round, multi-dimensional, personalized financial services in mixed scenarios. It promoted intensive operations, realized nationwide coverage of the credit factory model, and improved the quality and efficiency of business operation.

Retail Banking

Based on its resource endowment, the Bank was committed to providing high-quality financial services to more than 650 million customers in a targeted manner. To meet customers' needs for comprehensive financial services, the Bank advanced technological empowerment, promoted data-driven development, optimized the omni-channel service experience, enhanced customers' sense of gain and happiness, and helped them lead a better life by using the right financial tools.

Personal Deposit Business

The Bank persistently pursued high-quality development of personal deposit business. As a major provider of rural financial services in county areas, the Bank consolidated its traditional advantages, and seized business opportunities during the Spring Festival and summer grain acquisition period. The personal deposits in areas at and below the county level accounted for nearly 70% of the Bank's total personal deposits. It provided customers with a variety of tailored products and follow-up programs upon the maturity of deposits, so as to turn the matured deposits into value deposits or wealth management products. The Bank kept optimizing its payment and settlement services, promoted coordination between different wealth management products as well as retail and corporate products in order to expand sources for demand deposits. As at the end of the reporting period, the Bank's balance of personal deposits exceeded RMB11 trillion to reach RMB11.28 trillion, an increase of RMB1.24 trillion over the prior year-end, of which nearly 95% were value deposits, i.e., deposits with a maturity of one year or less.

Debit Card Business

The Bank continuously innovated debit card products, improved user activity on accounts, and enhanced service capability for key customers. For young customers, it launched the "Alexander the Fat Tiger" IP co-branded debit card and the "To the best of you" theme debit card with customized card design and exclusive benefits and promotion activities. For new urban residents, it launched the "U+ Card" and "New Urban Residents Theme Card for Deliverymen" with benefits like fee reduction and exemption and favorable postage, providing differentiated, tailored and refined customer services for new urban residents. The Bank enriched the "Happy Weekend" theme marketing campaigns, and developed the "Colorful YOUNG Life Illustrated Handbook", a comprehensive service system for young customers. During the reporting period, the spending via debit cards posted RMB9.33 trillion.

Sample of "U+ Card"

Personal Settlement Business

The Bank provides agency collection and payment services and various settlement services to personal customers. The agency collection and payment services primarily include payment of salary, benefits and allowances, collection of utility fees, collection and payment of social security pension, etc. For the agency payroll customers, the Bank developed "Salary Payment Plan", an agency payment solution with exclusive products and specific marketing campaigns, so as to improve the capability to provide full-chain services for businesses (B-end) and customers (C-end). During the reporting period, the Bank's agency collection and agency payment amounted to RMB645,146 million and RMB1,694,613 million, respectively. Specifically, social security pension collected on an agency basis amounted to RMB61,139 million, and pension payment on an agency basis amounted to RMB916,449 million.

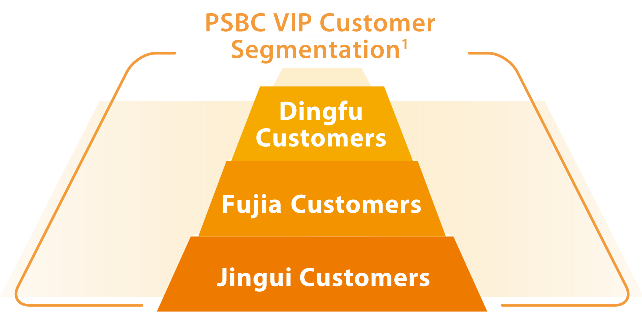
The Bank provided personal customers with various international settlement services such as cross-border telegraphic transfer (T/T) and Western Union money transfer. During the reporting period, the number of transactions for personal international settlement was around 389.1 thousand, with a transaction volume of USD638 million. It made steady progress in Cross-boundary Wealth Management Connect (the Southbound Scheme), further expanded its business scale and provided customers with more convenient and reliable cross-border investment services.

Wealth Management

The Bank adhered to the customer-centric philosophy, focused on creating value for customers, upgraded the system of layered customer service, and enhanced the professional asset allocation capability in an all-round way. It worked to safeguard customers' interests with high-quality products, consolidated the foundation of customer service with "close relationship management", and supported the team capability with system development. Furthermore, it strengthened digital operation to expand the breadth of wealth management business, and promoted investor education to nurture prospects of wealth management business. As at the end of the reporting period, the Bank had 47,350.0 thousand VIP customers, an increase of 11.07% over the prior year-end; the number of Fujia customers and above reached 4,250.4 thousand, an increase of 19.32% over the prior year-end. The number of customers who invest in wealth management, fund, asset management and trust products significantly increased. During the reporting period, the intermediary business income from wealth management business achieved a rapid growth of more than 40%.

Wealth Management Product Line

The Bank put customer interests first and further improved the wealth management product system covering the entire life cycle of customers. During the reporting period, it developed an innovative, digital, intelligent transformation and marketing model which integrated customer research, acquisition and activation. The new long-term regular premiums amounted to RMB76,270 million, accounting for 28.50% of new policy premiums, up by 8.66 percentage points year on year. The Bank continued to enrich wealth management products, and launched exclusive products for wealth customers, agency payment customers, new customers and other key customer groups. It launched pilot sales of two tranches of pension wealth management products of PSBC Wealth Management, and the first tranche was sold out on the first day, with a sales volume of RMB3 billion. The total amount raised for the two tranches was RMB5 billion. The Bank pushed forward the product transformation and upgrading toward equity funds. It developed a standardized fund product selection process, compiled a fund manager list, and vigorously expanded fund customers. Its agency sales of funds amounted to RMB150,087 million, among which RMB134,190 million was non-monetary funds. It enriched the categories and strategies of asset management and trust products, put its focus on short and medium-term products, fixed income+, FOF products, etc. The existing assets under the asset management plans (including trust plans) amounted to RMB61,541 million, a rise of almost 50% over the prior year-end. It promoted the campaign of "Making Government Bonds Available in the Countryside", and the agency sales of savings government bonds amounted to RMB36,134 million. The Bank also spared no effort to improve the omni-channel transaction experience of physical gold products, and launched delivery services for its own-label gold products.

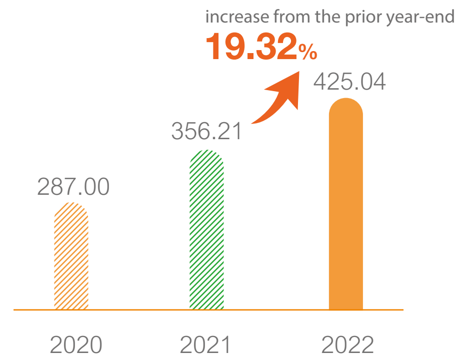


Personal Pension Finance

The Bank paid attention to people's needs for pension products. It established a management and service platform for personal pension business, created "U Enjoy Future" as its pension financial service brand, launched the personal pension account business, agency sales of personal pension fund products and personal pension savings service, and continuously enriched personal pension products to meet customers' diversified pension needs. It promoted the publicity and communication of the notion that personal pensions act as the third-pillar, introduced the concept of "planning now for a better future", and used various media platforms such as the PSBC WeChat official account, People's Daily and toutiao.com to popularize the personal pension business and its advantages. Marketing campaigns were launched to encourage customers to open personal pension accounts and help them strengthen the accumulation of pension wealth for a better life.

Number of Fujia Customers and above

(In 10,000)



Business posters of "U Enjoy Future", the personal pension brand

1 The Bank regards customers with assets of RMB100,000 and above as VIP customers. Among them, customers with assets between RMB100,000 (inclusive) and RMB500,000 are Jingui customers, customers with assets between RMB500,000 (inclusive) and RMB6 million are Fujia customers, and customers with assets of RMB6 million and above are Dingfu customers.

Column

Transforming and Upgrading the Wealth Management Business

1. Developing the Core Ability of Providing Differentiated Customer Services

The Bank adhered to the original aspiration of “creating value for customers”, and developed the ability of providing differentiated services for mid to high-end customers. It launched the “New Business Cards” of “Jingui, Fujia and Dingfu” customers based on the customer segmentation system, with exclusive debit cards for each customer group. It promoted the business model of close customer services, and provided exclusive professional wealth advisors for Fujia and Dingfu customers to develop a close bond with customers. The Bank adopted the mode of chain marketing by matching differentiated products, campaigns and benefits to different customer groups. At each stage of the asset life cycle, the Bank adopted targeted measures based on specific customer conditions to help them optimize their assets and move to the next level. A diversified non-financial marketing system was established with 12 value-added benefits covering health, traffic, life and other non-financial scenarios. In addition, themed campaigns such as “24 Solar Terms • Wealth” and Hundred City Summit were launched to improve the service experience of medium and high-end customers in an all-round way.

2. Improving Professional Competency of the Wealth Management Team on All Fronts

In order to build a wealth management team with considerable expertise, the Bank established a full-process supporting and empowerment system. At the front desk, it put in place a PASS (Product – Analysis – Service – Sales) position-based and tiered training system for wealth advisors, VIP wealth advisors and wealth consultants to improve their ability to allocate assets and sell complex products from the perspectives of product, research, service and sales. At middle and back offices, it focused on “strengthening empowerment”, developed a support and empowerment system of “back office – middle office – front office”, and built a wealth consultant team of around 300 people. A standardised work process was formulated for the front, middle and back offices to maximize the quality and efficiency of customer services at the front-line. During the reporting period, at the “JIN NAI DONG HUA” China Wealth Consultant Competition, CEP•E-fund China Financial Planner Competition and 2022 JRJ Navigation China and “GoldenWis” Award Ceremony, PSBC won the “2022 Excellent Wealth Consulting Institution”, “2022 Outstanding Wealth Consultant Cultivation Institution”, “CEP•E-fund China Financial Planner Competition: Best Organization Award” and “Outstanding Wealth Management Bank Award”. Moreover, more than 30 PSBC employees won individual excellence awards.

Scan to see the awards and recognition won by PSBC wealth management personnel

3. Making Breakthroughs in Private Banking

The Bank focused on the financial needs of high-net-worth customers, and gradually developed a private banking service system with PSBC characteristics. Breakthroughs were made in the underlying rules, service model, management system, professional team, exclusive benefits, etc. A customer segmentation system was officially established with the name of “Dingfu Customers”, meaning “great virtue brings eternal happiness and prosperity”. “Dingfu Card”, an exclusive debit card for high-net-worth customers, was also launched. Initiatives were launched to build private banking centers and service teams, and the first private banking center was open for business in Wuhan. An account manager team for private banking business was built to provide Dingfu customers with more professional, personalized and comprehensive wealth management services.

Wuhan Private Banking Center was open for business on January 18, 2023

4. Opening Up New Space for Wealth Management with Digital Empowerment

The Bank relied on the mobile banking platform to improve service quality and expand the scope of services. Dedicated to improving customer experience, the Bank launched a new mobile banking interface and developed the brand new mobile banking 8.0 for Fujia customers and Dingfu customers, which supported one-touch contact with exclusive wealth advisors, selected products at a glance, and personalized configurations. On the basis of the wealth management system, the Bank developed a digital asset allocation platform with the scenarios of elderly care, children education, house purchase and car purchase, and explored the intelligent insurance planning and whole-life wealth planning services to provide comprehensive services in investment, wealth management and insurance planning. It also upgraded and improved mobile banking functions such as one-stop wealth analysis and asset allocation, so that more customers could lead a better life with wealth management services. During the reporting period, the Bank provided wealth analysis services to 1,011.4 thousand customers through the mobile banking platform, and formulated asset allocation plans for 486.5 thousand Fujia customers and above, up nearly 156% year on year.

Poster of mobile banking 8.0

New functions of the personal wealth management system

5. Conducting Investor Education Activities

As the guide and companion of customers in investment, the Bank carried out various investor education activities. Relying on its outlet network, the Bank organized the investor education salon "Wealth Management Weekly Lecture" at nearly 40,000 outlets to popularize the concept of making asset allocation with science-based methods. During the reporting period, the Bank held over 880 thousand investor education activities, benefiting customers of nearly 6.5 million person-times. The second PSBC "Wealth Management Festival" was launched with the theme of "better asset allocation for a wealthier life". The event had six sessions, namely the "Setting Sail for Wealth" opening ceremony, the "Evolution of Wealth" investor education, the "Outstanding Wealth Products", the "Wealth Forum", the "Privileged Offers and Benefits" and "Hot Wealth Topics". The publicity of the Wealth Management Festival achieved a total of 628 million views, up 44.04% compared to the first festival; attracting 11,710.9 thousand hits, up 67.30% compared to the first festival. In November 2022, impacted by fluctuating bond market, the net value of wealth management products fell across the industry, and the Bank took active steps to respond to changes in market trends. It accelerated the development of new products, and provided more low-volatility and prudent wealth management products to meet the investment needs of risk aversion among customers. The Bank issued a Letter to Investors to interpret market volatility, analyze the causes of price fluctuations, identify future trends, provide investment adjustment suggestions, navigate customers through market shocks with high-quality after-sales services with a human touch, and accumulate upward strength and grow together with the customers.

Poster of the "Wealth Management Festival"

Example of Digital and Intelligent Transformation of Agency Insurance Business

During the reporting period, the Bank adhered to its wealth management strategy, and launched the digital and intelligent transformation project of agency insurance business to promote wealth management development throughout the year. It used big data to locate potential customers, created portraits of customers, developed customer models for high-potential customers such as females, parent-child and small business owners, and achieved precise identification of potential customers. It acquired customers with scenario-based campaigns, such as inviting famous figures from various sectors to discuss issues on people's wellbeing and delivering the "Setting Sail from PSBC" lecture on student's selection of university and specialty, thus building a bridge between the customers' daily needs and financial needs, attracting more than 1.70 million customers to participate in the activities. It also launched investor education activities, and organized about 7,500 customer education salons covering 18 scenarios such as clothing, food, housing, traffic, raising children, tourism, recreation and education, and helped customers develop sensible insurance protection concepts. It created various insurance portfolios to address customer needs. The Bank provided insurance protection for 200 thousand Fujia customers, the proportion of customers with long-term protection-oriented insurance products increased to 22.55%, and filled the gap of insurance protection for 55.6 thousand customers, providing effective protection for customers' family assets.

Retail Credit

Consumer Credit Business

The Bank fully implemented the requirement on improving the quality and efficiency of serving the real economy by credit services, intensified the support of consumer credit to boost the real economy, steadily improved the service and management capabilities, and registered solid business growth. As at the end of the reporting period, the balance of personal consumer loans stood at RMB2.73 trillion.

The Bank strictly implemented the government's guiding policies for housing credit, increased support for mortgage loans to meet the needs of first-time home buyers and improvement needs, and strove to ensure financial services on residential mortgage loans. The balance of residential mortgage loans amounted to RMB2.26 trillion.

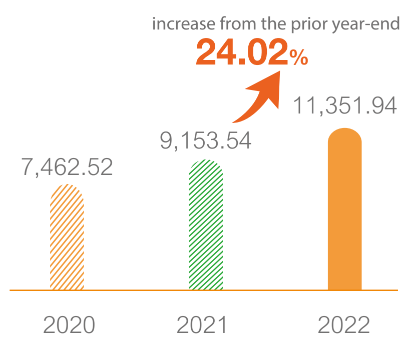
When promoting innovation-driven reform of the consumer credit business, the Bank gave full play to its resource endowment, made innovations on business models, refined the existing service model, explored internal potentials and tapped into external resources, so as to develop differentiated competitive advantages and provide high-quality and convenient consumer financial services. Internally, it focused on digging the potential of existing customers, innovated its business model and conducted proactive credit extension. Based on the intelligent risk control technology, the Bank customized comprehensive services which integrated product design, digital risk control and refined customer management, to meet customers' needs for consumer financial services in a targeted manner. It provided convenient service experience for customers through an all-online and full self-service process, and created a unique advantage of PSBC by enhancing credit availability for different customer groups. Externally, the Bank seized development opportunities brought by rural revitalization as well as green and low-carbon consumption, launched campaigns such as "PSBC-sponsored Car Purchase Season For Rural Areas", strengthened services for new energy vehicle loans, and introduced exclusive credit products for new urban residents to meet their diversified consumption needs. It continued to improve the service model with a focus on remote banking and mobile business terminals, strengthened the whole-process digital risk control system featuring "big data + scorecard + new technology", and leveraged its extensive network resource to provide customers with convenient service experience through online-offline integration. Based on the centralized operation model of retail credit factory, the Bank further standardized operations, constantly enhanced intensive operation, and provided customers with high-quality and efficient service response.

Micro Loan Business

The Bank promoted cooperation between the Bank and China Post Group as well as urban-rural integrated development, sped up technological empowerment, product innovation, risk control and team building, reinforced the core competitiveness of online-and-offline integration, and further boosted the high-quality and efficient development of micro loan business. It consistently pushed forward the construction of a rural credit system, developed innovative online loan products for creditworthy households, conducted and steadily promoted the pilot project of universal credit line for rural households. With micro credit for rural households as the breakthrough point, it issued cards for rural households in batches, provided comprehensive financial services including credit, insurance and wealth management, and improved the quality and efficiency of creditworthy village construction. The Bank energetically promoted proactive credit extension and direct customer management by the Head Office. It integrated internal data resources, intensified data analysis, created a white list of customers for proactive credit extension, and provided guidance to branches and sub-branches on precision marketing. It pushed forward the intensive operation of micro loans, and launched trial operations of centralized review and approval, centralized post-lending management, and centralized overdue loan collection. It advanced the application of mobile business terminals and rolled out full-process digital operation. As at the end of the reporting period, outstanding personal micro loans amounted to RMB1.14 trillion, an increase of RMB219,840 million over the prior year-end.

Personal micro loans

(In RMB100 million)



Credit Card Business

The Bank took credit card business as an important pillar for its retail banking strategy, continuously improved institutions and mechanisms for the credit card business, worked on improving scenario-based operation and refined management, sped up process optimization and digital empowerment, and achieved steady growth of the credit card business in terms of business scale and development quality. During the reporting period, the number of newly issued credit cards was 6,361.7 thousand; and the number of credit cards in circulation was 42,823.3 thousand, an increase of 3.04% over the prior year-end. Consumption via credit cards amounted to RMB1,162,602 million, a year-on-year increase of 3.21%. The income from credit card business recorded a year-on-year increase of 16.11%.

16.11% year-on-year increase in credit card income

42.82 million credit cards in circulation

Consumption of RMB **1.16** trillion via credit cards

Advancing Product Innovation and Development of Comprehensive Marketing Capability

The Bank strengthened marketing capability of the credit card business, integrated marketing resources and channels, put emphasis on cross-selling among existing customers, enhanced the multi-channel marketing capability, accelerated innovation and optimization of products and benefits, and improved the quality of customer outreach. It strengthened the integration of customer resources within the Bank, pushed forward the marketing of proactive credit extension, improved risk modeling and reach marketing, and created a marketing whitelist with more than 15 million customers, thus effectively boosting the accuracy and efficiency of precision marketing. It adopted new marketing models, optimized the application process on electronic channels, advanced the scenario-based marketing capability, developed one-stop marketing with real-time card issuance, activation and first swipe on site, and realized fast review and approval for scenario-based marketing. It intensified product innovation, successively rolled out Renyin Tiger Year zodiac card, Rolife Nanci theme card, American Express Life+ card and other new products, which greatly enriched product matrix and customer benefits.

Improving Capabilities for Customer Engagement and Refined Management

The Bank strengthened scenario-based business operation and the expansion of business districts, enhanced its customer engagement capability, increased support for consumption recovery, and worked to enhance the brand image of its credit cards. Efforts were made to improve the quality and efficiency of business districts. Based on the theme of "Joyous Family Day – 50% off on Saturdays", the Bank launched a series of marketing activities such as hot pot festival, dessert festival, joyous Mid-Autumn Festival, etc., in a bid to complete the ecosystem based on business districts and promote the steady increase of merchants and consumption in business districts. The Bank strengthened the engagement and management of existing customers, and launched lifecycle precision marketing campaigns. It also worked to improve the operation of its credit card app and kept improving the effect of customer management. It boosted innovation-driven development of the installment business, optimized the structure of installment payment to meet multi-level, diversified consumption needs of consumers.

The American Express Life+ card is officially launched

Rolife Nanci theme credit card with customized card design

Column

Exploring the Proactive Credit Extension Model to Boost Retail Credit Business

The Bank adhered to the strategy of building a first-tier large retail bank. It adopted the proactive credit extension model for retail credit business, and relied on intelligent risk control technologies to tap the potential of existing high-quality customers. It promoted multiple-channel collaboration to ensure market reach, used the online platform to handle credit applications, provided great customer experience featuring "instant approval and lending", and created new growth points for retail credit business.

With the proactive credit extension model, the Bank adopted the centralized operation model, established a full-process refined monitoring system with the Head Office at the core, and realized data-driven service optimization and closed-loop risk management. In terms of customer acquisition, the Bank relied on the intelligent risk control platform to integrate and analyze various types of information on customers' risks such as their assets, liabilities, transaction flow to build a big data model, and created a list of high-quality customers for proactive credit extension. In terms of marketing reach, the Bank carried out in-depth research on the needs, behaviors and preference of customers, provided targeted products, solutions and marketing strategies to various customer groups, and effectively enhanced marketing reach and customer conversion. In terms of customer application, the Bank integrated relevant products and IT resources, and streamlined and improved the online application and approval processes to create the ultimate customer experience of "instant approval and granting". In terms of risk control, the Bank gave full play to the intelligent risk control model base on big data, formulated exclusive risk management plans for customers on the proactive credit extension list, developed differentiated pricing and credit line strategies, and hit a balance between sound risk control and consumer experience.

Since its launch in September 2022, the proactive credit extension model achieved fast growth in business scale. As at the end of the reporting period, the Bank added more than 70 million customers to the proactive credit extension list, providing 350 thousand customers with more than RMB50 billion of credit.

Column

Leveraging Coordination Advantages to Create a New Development Pattern

Thanks to the characteristic business model of self-operated outlets plus agency outlets, the Bank has a large customer base, multiple service channels and rich financial service scenarios. Leveraging the integrated flows of business, goods, funds and information, it strengthened collaboration with the Group in respect of customers, channels and scenarios, launched cooperative projects benefiting farmers, and worked with its partners to promote the development of credit card business, e-CNY, etc. At the same time, the Bank encouraged branches at all levels to develop innovative collaboration models to reflect regional characteristics, strengthened coordinated development with China Post Group, and created a coordinated development ecosystem with financial services at the core and the function of serving production and living as the extension.

In terms of customer collaboration, the Bank leveraged its unique model of "postal plus financial services", and took advantage of its wide-ranging outlets to acquire customers through postal services and expand the coverage of the Bank's financial services.

PSBC Jilin Branch launched cooperative projects benefiting farmers. With the local rural brand "Qianli Liaohe", it focused on new types of agribusiness, upstream and downstream customers of the industrial chain, and rural households, and strengthened customer collaboration between different segments to promote the high-quality development of finance, e-commerce and delivery businesses. As at the end of the reporting period, the Bank provided more than RMB72 million loans to cooperative enterprises and rural households through the "Qianli Liaohe" project, conducted joint field marketing with China Post Group, and issued nearly 3,000 credit cards through coordinated development.

In terms of channel coordination, with the featured service transformation of postal outlets as an opportunity, the Bank carried out joint marketing campaigns with postal outlets, and improved comprehensive service capabilities through collaboration with China Post Group.

In Zhejiang Province, PSBC Hangzhou Branch cooperated with the traffic management bureau and hospitals to launch the "PSBC, Police and Hospital" one-stop service for the convenience of residents, who may handle vehicle management formalities at postal outlets including health check, taking ID photos and license renewal. Considering that the customer flow at the outlets is large, and that there are many high-quality new customers, the branch promoted coordinated development among the "PSBC, Police and Hospital" service and the credit card business, and implemented precision marketing to car owners. As at the end of the reporting period, Hangzhou Branch issued a total of 22.5 thousand credit cards through the "PSBC, Police and Hospital" scenario, among which the proportion of gold cards or above exceeded 97%, and the proportion of new customers exceeded 99%.

In terms of scenario collaboration, the Bank worked with China Post Group to explore e-CNY application scenarios with PSBC characteristics, and established a full range of trial e-CNY payment scenarios across the nation, so as to gain a competitive edge in e-CNY.

PSBC Shaanxi Branch launched the "Lucid Waters and Lush Mountains e-CNY Town" project, incorporating the e-CNY payment system into the inclusive ecosystem, and relied on the kiwifruit agricultural industrial chain of Zhouzhi County to develop characteristic e-CNY payment scenarios such as industrial crop production, purchase of agricultural supplies, delivery and logistics.

PSBC Chongqing Branch worked with Ule.com to launch the "Mountain City Fruit Festival, Special Offers with e-CNY" cash back campaign, in which customers who buy agricultural and sideline products through the Ule APP and pay with the PSBC e-CNY wallet may enjoy a price-break discount. The campaign attracted over 30 thousand customers, and Ule.com registered a transaction amount of RMB39 million from community group buying in Chongqing city.

PSBC Beijing Branch conducted the e-CNY pilot program (Lize Financial Business District of Beijing). It developed various scenarios including office apps, retail transactions and public services in Lize Financial Business District, and launched the innovative "Lize E-CNY Pass" hardware wallet, with the brand new e-CNY application model of "finance + work + life", and achieved "pass and payment with one card". As at the end of the reporting period, the Bank opened 19.1 thousand personal e-CNY wallets and over 50 corporate e-CNY wallets under this project.

Lize E-CNY Pass

Corporate Banking Business

The Bank adhered to the original aspiration and mission of supporting the development of real economy in its corporate banking business, continued to provide financial support for supply-side structural reform, served the new development pattern, and leveraged its resource endowment to serve national strategies and further advance high-quality development. With the aim of accelerating the development of major capabilities in six aspects, the Bank improved the new "1 plus N" operation and service system[1] and increased the core competitiveness of the corporate banking business in an all-round way. It developed a comprehensive financial eco-system for corporate customers, and transformed corporate banking into a more capital-efficient business with distinct features and clear comparative advantages. As at the end of the reporting period, the number of corporate customers reached 1,378.8 thousand, an increase of 312.1 thousand for the year, and the aggregate number increased by 19.75% over the prior year-end. The finance product aggregate (FPA) of corporate customers reached RMB3.69 trillion; corporate loans amounted to RMB2,669,362 million, up by RMB415,426 million or 18.43% over the prior year-end. Corporate deposits amounted to RMB1,429,566 million, up by RMB124,130 million or 9.51% over the prior year-end, of which 64.65% were demand deposits, and the interest rate of corporate deposits was 1.33%. The income of corporate banking reached RMB50,128 million.

The number of corporate customers reached **1,378.8** thousand, an increase of **312.1** thousand for the year, and the aggregate number rose by **19.75**% over the prior year-end.

The finance product aggregate (FPA) of corporate customers reached RMB**3.69** trillion.

Corporate loans stood at RMB**2.67** trillion, up by RMB**415,426** million or **18.43**% over the prior year-end.

Corporate deposits amounted to RMB**1.43** trillion, up by RMB**124,130** million or **9.51**% over the prior year-end, with demand deposits accounting for **64.65**% of the total.

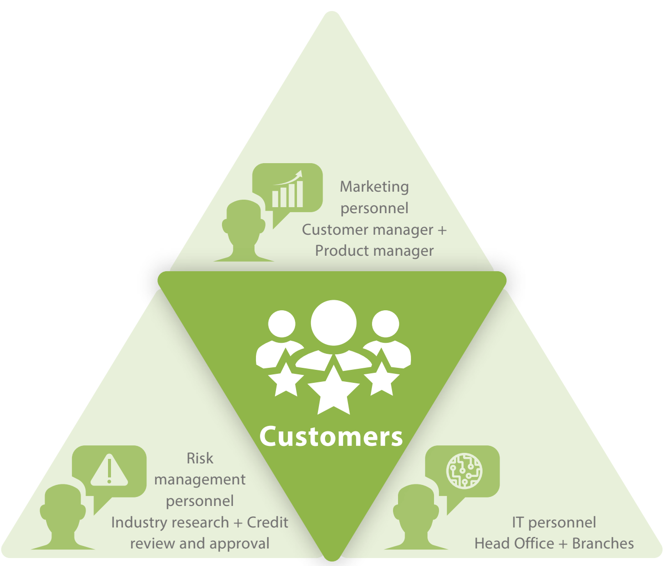
Operating income of corporate banking was RMB**50,128** million.

1 Focusing on the six dimensions of customer, product, collaboration, service, risk and technology, the Bank carried out reform and in-depth application of the operation mechanism, and developed a marketing support service system that integrates the front, middle and back offices.

The quality and efficiency of corporate customer services continued to improve

Following the customer-centric philosophy, the Bank optimized the product system, strengthened customer service teams and accelerated digital transformation. As a result, it witnessed a significant increase in the number of high-value customers and in the number of products held by each customer, with a steady growth in comprehensive value. With a focus on key customer groups, the Bank regarded strategic customers, key customers and institutional customers as the ballast and stabilizer, and spared no effort to strengthen the cooperation with such customer groups. It took technological innovation enterprises in strategic emerging industries as leverage for transformation and development, and sought new partners to create an ecosystem of financial services for specialized and sophisticated enterprises that produce new and unique products as well as technological innovation enterprises. It regarded the long-tail MSE customers as a reserve pool, explored proactive credit extension in various platform scenarios such as government affairs, enterprises, industries, technology, others broadly related to finance, etc., and tapped the potential of cooperation.

Upholding the concept of comprehensive services, the Bank established the "1 plus N" comprehensive service team to create a collective force, enhanced the capability to provide agile, efficient and professional services, improved the matching of financial services with customer needs, and provided a package of financial services. While cultivating core customer groups, the Bank intensified its efforts in expanding medium and large customers, and strengthened risk-management-driven development. It focused on emerging industries, industries where it has competitive edges and sunrise industries, selected 1,500+ core target customers in two batches and formulated customer-specific policies to support their development. In addition, the Bank rolled out a comprehensive financial service model as the lead bank with distinct features, strong competitiveness and controllable risks, and established bank-enterprise relationship with customers in advanced manufacturing industry, strategic emerging industries, as well as specialized and sophisticated enterprises that produce new and unique products and clients in the clean energy industry, achieving win-win results for both sides.



"1 plus N" comprehensive service team

Green world better life

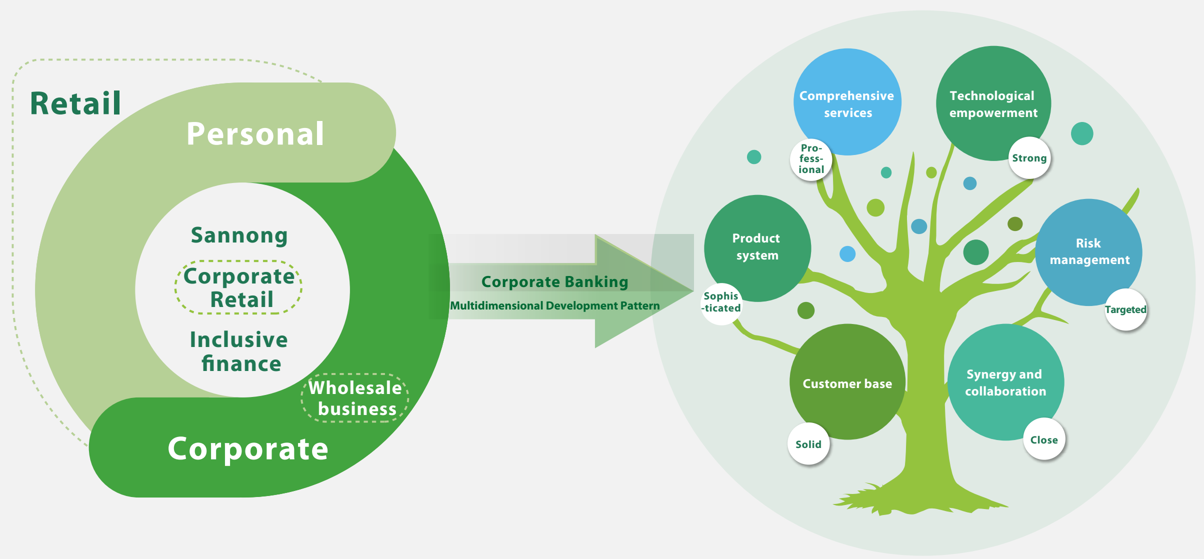
Column

Creating A Multidimensional Development Pattern for Corporate Banking

The Bank's corporate banking business focused on high-quality development, and followed the growth process of "point, line, surface and solid" to establish a high-standard market-based system. With the "1 plus N" new operation and service system as the support, it sought progress while maintaining stability, deepened reform and innovation, accelerated transformation and upgrade. As a result, a multidimensional development pattern was established, and the quality and efficiency of business operations improved steadily. Dedicated to serving the most dynamic customer groups in the course of economic transformation, the Bank strove for balanced development and developed competitive advantages with PSBC characteristics.

Enhancing the guiding role of system building in the course of transformation to strengthen internal momentum for development. The Bank adopted a layered and classified customer management system and a comprehensive service model, which effectively supported the growth in the number and value of customers. It worked to meet diversified customer needs and create better consumer experience through product innovation, new functions, classification and combination, and streamlined processes. A competency model was created to improve the competency of the team by encouraging team members to earn professional certifications and qualifications, thus strengthening the initial momentum for high-quality development. Efforts were made to enhance comprehensive risk management, upgrade the concept of risk prevention and control and improve the asset quality on a continuous basis. The Bank promoted digital transformation and business-technology integration, and improved the quality and efficiency of business operation and financial services through technological empowerment, such as the CRM system and fund supervision system.

With a focus on "setting sight on the future", the Bank conducted in-depth analysis of the prospects and potentials of a specialized and sophisticated enterprise that produces new and unique products, and added it to the list of core target customers to create a "1 plus N" comprehensive service team to provide exclusive services. Upon careful analysis of the financial needs of the customer, the Bank established a joint research and parallel operation mechanism to provide agile and efficient financial support. It created personalized comprehensive financial service solutions for the customer to revitalize upstream and downstream resources of the industrial chain, and provided enterprises on the supply chain with a package of financial services such as account settlement, bank-enterprise connection service, cash management, corporate wealth management, services related to bills and letters of credit and agency payroll business, thus establishing a close partnership with them. It further advanced coordination between the retail and corporate banking business to attract and activate personal customers, and recorded fast growth in the use and AUM of channel products.



Corporate banking is an integral part of and forms important support to the retail banking strategy

"1 plus N" new operation and service system

Efforts were made to improve the smart marketing system. Taking into account marketing needs, the Bank launched a series of online marketing management tools, and achieved great progress in developing a cluster of marketing management systems and institutions and mechanisms for digital operation. In terms of the CRM platform, the Bank adopted new approaches to realize refined customer group management, and developed a science-based evaluation system to track the whole online marketing process. The Bank attached great importance to the value of data assets and improving data service capability. It worked to expand application channels from the aspects of data quality, data security and metadata management, and provided better digital and intelligent customer services.

Implementing National Strategies and Supporting the Real Economy

The Bank took active steps to implement the guiding principles of the 20th CPC National Congress, kept political consciousness in mind and put people first in providing finance services, and improved the quality and efficiency of supporting the real economy. The Bank supported national strategies of key regional development, promoted the development of the capital economic circle, the inter-connectivity in the Yangtze River Delta, and the coordinated development in the Yangtze Economic Belt, and provided support to key areas such as the transportation infrastructure in the Greater Bay Area as well as urban renewal projects. As at the end of the reporting period, the balance of corporate loans granted to key areas reached RMB1,127,265 million, an increase of RMB200,851 million over the prior year-end.

It supported specialized and sophisticated enterprises that produce new and unique products and other segments in advanced manufacturing industry, increased supply of medium and long-term loans to new generation information technology industry, high-end equipment manufacturing, the industrial chain of new energy vehicles, energy conservation and environmental protection, new materials and other key niche markets, and promoted the industrial upgrade of the manufacturing industry. As at the end of the reporting period, the medium and long-term loans to the manufacturing sector increased by 50.06% compared with the prior year-end.

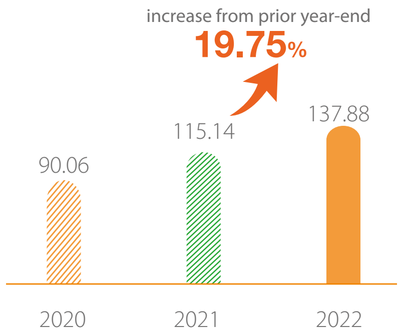
In order to implement the carbon peak and carbon neutrality goals, the Bank vigorously promoted the development of sustainable finance, green finance and climate financing, accelerated product and service innovation, and focused on large wind power and photovoltaic power station projects to promote the development of clean energy industries. It launched the first sustainability-linked loan, and explored new models and new business forms of green finance and transition finance to help high-carbon customers gradually reduce carbon emission. As at the end of the reporting period, the balance of wholesale green loans reached RMB438,171 million, up by 32.33% over the prior year-end.

The Bank strengthened professional financial service capability, and further improved the quality and efficiency of services for private enterprises. As at the end of the reporting period, the number of private enterprises with loans from the Bank increased by 8.51% over the prior year-end, and the loans newly granted to private enterprises accounted for more than 70% of newly granted corporate loans.

The Bank fully implemented the rural revitalization strategy, and leveraged its advantages brought by cooperation between the Bank and China Post Group and its Sannong services to facilitate the rural development initiative and modern agricultural development. As at the end of the reporting period, the agro-related corporate loans increased by 27.35% over the prior year-end.

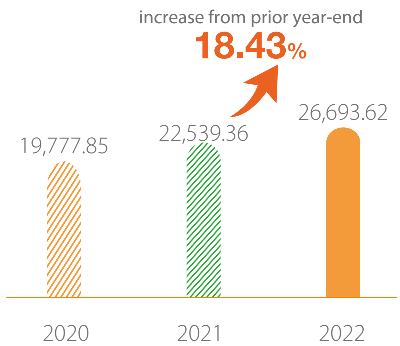
Number of Corporate customers

(In 10,000)



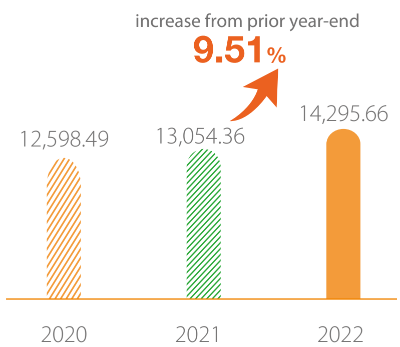
Corporate loans

(In RMB100 million)



Corporate deposits

(In RMB100 million)



Promoting Technological Empowerment to Develop Diversified Financial Service Scenarios

The Bank focused on key customer groups, and promoted scenario-based customer acquisition empowered by technology. It developed smart healthcare scenarios and relevant solutions, consistently launched medical insurance electronic certificate clearing bank systems at provincial levels, and worked with partners to develop an online pharmacy app which enabled payments from medical insurance accounts. Based on the project named "PSBC – medical insurance hall", the Bank developed new scenarios to provide medical insurance services to benefit the public, and launched the innovative "card-free hospital" system for online consultation through facial recognition. An online contract signing platform was established for tobacco retailers, a market-leading innovation in the new era of digital and intelligent reform of the tobacco industry. Through business cooperation with over 200 provincial and municipal provident fund centers across China, the Bank provided personalized service options through online and offline channels. It leveraged FinTech to build rural revitalization scenarios, and rolled out a total of 243 smart rural platforms, serving 11.0 thousand households in respect of the management of rural collective funds, assets and resources, sale of land-use rights, Party affairs and village affairs management, etc. It promoted the smart campus IT development, providing more than 100 schools with comprehensive services featuring "scenario plus finance". Moreover, it provided fund supervision of prepaid fees, serving more than 200 education regulatory agencies and more than 4,000 tutoring companies. To boost financial services in judicial fields with technological empowerment, the Bank established a smart court system for multiple provincial and municipal courts, and worked with the postal logistics to provide intensive delivery service for court documents. It provided a multi-channel comprehensive case management platform, which integrated the flows of goods, information and funds to provide intelligent litigation services and trial assistance in an all-round manner.

The Bank established a penetrating fund management system featuring "accurate navigation" to facilitate high-quality development of corporate deposits. Focusing on credits, bonds and third-party funds, the Bank enhanced application of knowledge graph, database and data modeling techniques to develop an accurate navigation platform to track the flow of funds. Consisting of four functional modules, namely financial statements, changes in financial position, flow of funds and flow forecasting, the platform provided customers with a chain of comprehensive financial services. It continuously improved the quality and efficiency of fund supervision and management of local government bonds, provided full-process financial support in financial consulting, scheme design, underwriting and investment, fund management, supporting financing, etc., and developed customized fund supervision systems and supported big infrastructure and big transportation projects, setting a model of financial services based on industry scenarios.

Adopting an Innovative Wealth Management System to Improve Service Capability

The Bank established a corporate client wealth management system in the purpose of wealth appreciation, wealth protection, financing, and treasury management, which effectively satisfied customers' diversified needs for wealth management. Taking value creation as the core, the Bank carried out wealth portraits and product analysis for corporate customers, leveraged technological means such as intelligent product matching, marketing maps, cloud drives of cooperative institutions to match funds to assets and integrate resources, and improved the quality and efficiency of wealth services for corporate customers.

The Bank put customer needs at the center, focused on product innovation, and achieved steady growth in the scale of wealth management business and intermediary business income. With the launch of the agency sale business of corporate insurance, it enriched corporate insurance products, expanded its "circle of friends" for cooperation, and increased its market share. It strengthened the joint marketing of corporate banking business and wealth management business, and relied on the four tactics of "intelligent wealth management to expand the long-tail customer group", "prudent products to enhance confidence", "competitive products to attract VIP customers" and "private equity products to promote linkage". As a result, the scale of corporate wealth management business registered a growth of 67.99% over the prior year-end. Through a collaborative system for corporate wealth management business and other non-credit assets, the Bank explored a new growth curve through asset recommendations and services to meet customers' diversified financing needs. During the reporting period, the intermediary business income for corporate finance achieved a year-on-year growth of 38.21%.

Green world better life

Column

Fully Supporting the Real Economy and Contributing PSBC Power to Ensure Overall Economic Stability

The Bank acted in strict accordance with the decisions and plans of the CPC Central Committee and the State Council on ensuring overall economic stability. It established a leading group for providing financial support to ensure overall economic stability, and formulated a special work plan to provide more financial resources to key areas and targeted services to the real economy.

It supported manufacturing development and equipment upgrades. The Bank focused on key areas such as advanced manufacturing and core technologies in key fields, increased the credit supply for new generation information technology, new energy, new materials and other strategic emerging industries, provided more medium and long-term loans to promote the development of specialized and sophisticated enterprises that produce new and unique products and technology startups, and facilitated the manufacturing industry to transform toward high-end, digital and intelligent development. Based on real transaction information such as upstream and downstream orders and accounts receivable of core enterprises, and the industrial chain scenarios, the Bank provided manufacturing enterprises with factoring and other supply chain financial services, and developed a customer ecosystem to strengthen the risk resilience of industrial chains and supply chains. Through these efforts, the Bank served the national strategy of building China into a manufacturer of quality, fulfilling its responsibility as a major bank.

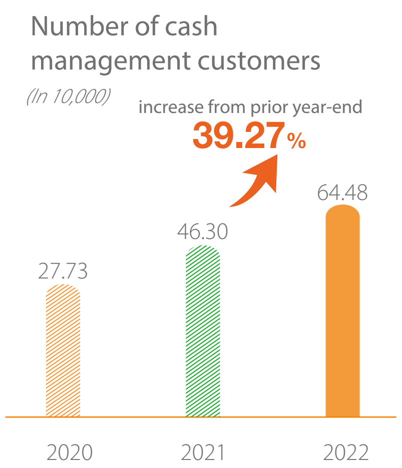
It facilitated the steady and healthy development of the real estate market. The Bank fully implemented the decisions and plans of the CPC Central Committee and the State Council on maintaining steady and healthy development of the real estate market, and spared no effort to ensure that overdue housing projects were completed and delivered to meet people’s basic living needs. Firstly, to address the reasonable financing needs of real estate companies, the Bank launched the “U Loan for ensuring overdue housing projects shall be completed and delivered” to help real estate developers put idle assets into use, and resolved the financing difficulties of weak real estate enterprises by increasing financing support. Secondly, in accordance with the strategies of rural revitalization and new urbanization, the Bank leveraged the coordination between retail and corporate banking business to increase the mortgage loans to new urban residents, and achieved steady growth in real estate development loans and mortgage loans.

It supported major infrastructure development projects. The Bank actively participated in providing supporting financing for infrastructure fund-supported projects, with a focus on network infrastructure such as transportation, water conservancy and energy, industrial upgrading infrastructure such as IT and logistics, urban infrastructure such as underground utility tunnels, agricultural and rural infrastructure such as high-standard farmland, and national security infrastructure, etc. It set up a fast track for credit review and approval, and adopted the parallel operation mechanism to streamline the review and approval process, increase resource supply and ensure the fulfillment of project requirements.

Transaction Banking

Cash Management and Direct Bank-Enterprise Connection

In terms of settlement and cash management, the Bank took well-ordered steps to develop the new generation core business system for corporate banking, and developed and introduced new intelligent wealth management products in a timely manner, including cash management products such as virtual account books of online contracts and intelligent fund pool for micro and small enterprises, which effectively improved customer experience. As at the end of the reporting period, the number of cash management customers reached 644.8 thousand, representing an increase of 181.8 thousand or 39.27% over the prior year-end. The Bank continued to expand settlement channels, with a total of 39.8 thousand corporate settlement cards issued during the year, and the transaction amount reached RMB8,843 million.



In terms of direct bank-enterprise connection, the Bank optimized the access mode of “no pre-approval requirement plus internet”, kept lowering technological barriers and running costs, and extended services to small and medium-sized enterprises. In 2022, the Bank opened 1,216 application programming interfaces (APIs), and served a total of 1,909 group clients, up 60.29% over the prior year-end. The transaction volume stood at RMB8.81 trillion, a year-on-year increase of 47.21%. In addition, the Bank promoted the development of fund supervision platforms for construction projects and prepaid tutoring fees, and facilitated the implementation of related policies with digital and intelligent technology.

Supply Chain Finance and Trade Finance

In terms of supply chain finance, by building scenarios and ecosystems and applying digital technologies, the Bank further tapped into key industries through product innovation, model innovation and technology empowerment, and fostered new growth drivers across the industrial chain, and realized multi-scenario, multi-industry, multi-channel and fast-process supply chain financial business services. Focusing on core enterprises on industrial chains such as transportation and high-end manufacturing enterprises, the Bank provided financing services to more than 10,000 upstream and downstream suppliers and distributors, and the balance of supply chain finance exceeded RMB100 billion. Relying on the core U-chain supply chain system developed by itself, the Bank accelerated digital transformation, launched digital processing modules such as digital review and approval, invoice cloud, big data risk control, and paperless review, and adopted specialized and intensive work flows to satisfy the “short-term, frequent and urgent” financing needs of small and medium-sized enterprises. During the reporting period, the financing amount disbursed online registered a year-on-year increase of 189%, mainly through online factoring, U Xin, vehicle sales financing and other digital supply chain products. The Bank earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, launched engineering factoring products and, through the combination of engineering factoring plus project loans, strengthened supporting financing for key projects in infrastructure construction, industrial upgrade, green and low-carbon development, etc.

In terms of domestic trade finance, the Bank steadily advanced in-depth iteration, launched electronic letter of guarantee (L/G) version 2.0, and completed the online migration of automated retail credit extension, with the online review and approval completed within as fast as 5 minutes. Furthermore, the Bank connected internal channels of the mobile banking and internet banking to external channels such as public resource platforms, and integrated the functions of cloud fee payment, H5 interface and other internal applications to streamline the L/G issuance process, which can be completed within as fast as 30 minutes. It launched the first gold lease transaction, and enriched precious metal products for corporate clients.

Cross-Border Finance

The Bank steadily improved the cross-border service capabilities, and promoted the digital transformation of corporate cross-border businesses. Firstly, it fulfilled its responsibility as a major bank by supporting enterprises under the Belt and Road Initiative to go global. In 2022, the amount of on- and off-balance-sheet financing provided under the Belt and Road Initiative exceeded RMB23.0 billion. Secondly, it promoted the digital transformation of cross-border businesses, and launched the "single window" settlement and financing module for customs. It also enriched scenarios of risk management for agency currency trading, increased online products and realized full-process online processing for currency forward derivatives. Thirdly, it supported RMB internationalization, and strengthened the cross-border RMB services for the real economy. The total cross-border RMB settlement registered a year-on-year increase of 158.80%.

Investment Banking

In terms of investment banking, the Bank adopted a proactive and prudent strategy to pursue steady and high-quality development. It not only worked to increase the yield contribution of key investment banking products, but also gave play to the leverage and attraction roles by traditional commercial banking business, so as to highlight comprehensive value creation for customers. The intermediary business income of investment banking registered RMB1,671 million, a year-on-year increase of 22.33%.

It proactively served national strategies. The Bank focused on specialized and sophisticated enterprises that produce new and unique products, and other key areas including transport infrastructure, clean energy, and environmental protection, and served the Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing economic circle and other strategic regions. With such efforts, it effectively supported the national carbon peak and carbon neutrality goals and the investment in new infrastructure, new urbanization initiatives and major projects. During the reporting period, the bond underwriting business registered solid growth. The total bonds underwritten amounted to RMB311,811 million. Rapid growth was achieved in M&A and syndicated loans. The balance of M&A loans recorded a growth of 80.42% over the prior year-end, and the number of syndicated loans led by PSBC signed in the year increased by 25.47% over the previous year.

It took national policies as the guide for business development. The Bank spared no effort to ensure sufficient supply of energy. It underwrote 4 special energy supply bonds, which effectively eased the financial burden on SOE power suppliers. Moreover, it facilitated real estate enterprises to issue bonds of RMB19.2 billion and underwrote the second-of-its-kind financial bond issued by a freight entity in the market.

It promoted green finance. The Bank underwrote 7 green bonds, an increase of 13.00% in scale year on year, and promoted green M&A loans to support industrial transformation.

It secured multiple first-of-its-kind projects. The Bank underwrote China's first panda bond listed in Macao Stock Exchange. It underwrote and issued the first "sustainability-linked plus energy supply" debt financing plan in China, and underwrote the first batch of technological innovation notes in the market. In 2022, the Bank underwrote a total of 7 technological innovation notes, with an accumulative amount of RMB3.6 billion. In addition, it underwrote the Bank's first M&A loan of Real Estate Investment Trusts (REITs), the first of its kind in Southwest China, and led the issuance of the first sustainability-linked syndicated loan.

The Bank actively assisted in the construction of Hainan Free Trade Port by improving the supporting infrastructure, and opened a fast track to promote the development of basic industries such as aviation, airport, port, electricity, gas and public transport.

Treasury and Asset Management Business

For the treasury and asset management business, the Bank followed the principle of "led by investment analysis, empowered by innovation, guaranteed by risk control", strengthened major capabilities in six aspects including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership. It strengthened prediction of market trends, deepened the development of the inter-bank ecosystem, and further enhanced the business operation and comprehensive service capabilities. The main achievements during the reporting period were as follows: First, business innovation was deepened, with the leading role of innovation effectively reinforced. The Bank intensified its efforts to expand online interbank deposits; explored a new business model for asset securitization products; launched the new online discounted bill product "Specialized New Discounting"; brought interbank certificate of deposit index fund and ESG-themed fund under custody for the first time; and successfully completed investments in offshore RMB bonds including the first transaction under Southbound Bond Connect, free-trade-zone bonds, etc. Second, the Bank seized the opportunity of trading transformation and continuously improved core professional capabilities. The Bank gradually enriched trading varieties, boosted trading activity, and successfully launched the first standard bond forward business. In 2022, the trading volume of interest rate swaps for the year exceeded RMB180.0 billion, up 36.17% year on year. It created an intelligent trading model, and tried to carry out real quantitative trading. Efforts were made to promote fast circulation of bill assets, with the volume of over-the-counter bill trading increasing by 55.80% year on year. Third, the Bank consolidated its customer base and system support capability. As at the end of the reporting period, the total number of interbank customers in the industry ecosystem reached 2,828, with customer coverage exceeding 50%, including all types of interbank institutions. The comprehensive value from interbank customers continued to increase. Fourth, digital transformation was accelerated, and technological empowerment was gradually strengthened. The "Together We Thrive" interbank ecosystem platform and the electronic trading system were successfully put into operation.

The number of interbank customers in the industry ecosystem reached 2,828.

The number of local currency bonds quoted by PSBC as a market maker exceeded 800, maintaining the leading position among peers.

The volume of over-the-counter bill trading amounted to RMB4.97 trillion, which was at the forefront of the market.

Insurance funds under custody exceeded RMB700.0 billion for the first time, up 26.48% over the prior year-end.

As of the end of the reporting period, financial investments amounted to RMB4.96 trillion, up 14.03% over the prior year-end. Assets under custody amounted to RMB4.44 trillion, among which the mutual funds under custody amounted to RMB671,499 million, an increase of 7.79% over the prior year-end; wealth management products amounted to RMB830,062 million.

Interbank Business

Interbank Investment and Financing Business

As for interbank financing, the Bank increased allocation to interbank financing at high interest rates, which included interbank borrowings and online interbank deposits with higher interest rates, resulting in a year-on-year increase of more than 80% in the scale of online interbank deposits. It mitigated risks by introducing high-quality collateral, and constantly expanded the coverage of interbank customers and improved the sophistication of business. It became the first major state-owned bank to launch standardized green guarantee products, which effectively promoted the development of green finance. It was awarded the "2022 Innovation Award in Inter-bank Local Currency Market (CFETS Interbank Deposits)" and "2022 Business Development Quality Evaluation of CCDC Members: Socially Responsible Organization of Guarantee Business".

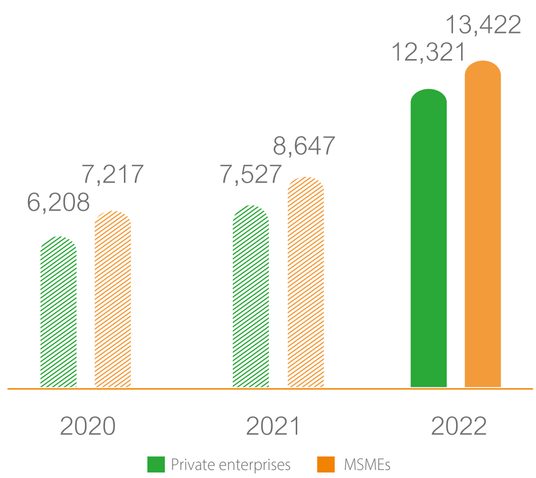
In terms of interbank investment, the Bank further improved its investment management capability, driving a steady growth in non-interest income. It also explored new business models of asset securitization products, making a breakthrough in investment transactions on secondary market. It achieved notable results in promoting the coordinated development between investment and custody business, gave full play to its investment strength, and drove the scale of custody business to increase significantly, with a total coordinated business amount exceeding RMB260.0 billion. In response to the call for achieving carbon peak and carbon neutrality goals, the Bank invested in fields such as new energy vehicles, wind power, photovoltaic power, clean heating and water ecological restoration.

Billing Business

Focusing on serving the real economy, the Bank promoted the migration towards online billing business, and launched online discounting products such as "PSBC E Discounting", "Rural E Discounting" and "Smart Instant Discounting". At the same time, it developed the new online product "Specialized New Discounting" to provide intelligent billing services for specialized and sophisticated enterprises that produce new and unique products. During the reporting period, the total number of corporate customers of the Bank's bill discounting business recorded a year-on-year increase of over 50%, with the number of micro, small, and medium enterprises (MSMEs) and private enterprises increasing by 55.22% and 63.69% year on year, respectively.

The Bank continued to deepen the integrated operation of the billing business, optimized the bill circulation mechanism, and strengthened the linkage of rediscount and discount business. The resale of discounted bills recorded a year-on-year increase of nearly 70%, with a significant growth in non-interest income. The trading volume of bill repurchase amounted to RMB3.47 trillion.

Number of MSMEs customers and private enterprise customers in bill discounting



Green world better life

Column

"Together We Thrive" Interbank Ecosystem Platform Went into Operation

The Bank promoted digital transformation according to the concept of open bank, ecology bank, digital bank and technology bank. In 2022, the "Together We Thrive" interbank ecosystem platform was successfully put into operation after two years of independent development.

As the Bank's service portal for interbank customers, the "Together We Thrive" interbank ecosystem platform focuses on asset allocation, information gathering and dissemination, investment research and communication, etc., providing interbank customers with multi-layer comprehensive financial products and services. Through re-engineering of transaction processes and optimization of customer journey, the "Together We Thrive" interbank ecosystem platform helps to accelerate the flow of resources and production factors and expand the scope of interbank cooperation, creating a high-quality interbank cooperation ecosystem in the era of digital economy. During the reporting period, the Bank launched a financing trading hall, a bill trading hall and a fund trading hall, with more than 1,100 customers signed for the platform.

In the future, the Bank will adhere to the concept of "shared journey, common progress and win-win results", and will make consistent efforts to expand interbank cooperation and establish a collaborative financial community with "a shared ecosystem, common values, scenario integration and technological exchanges". Moreover, it will promote the digital and intelligent reform of financial institutions, and create a comprehensive, multi-level, open and sharing environment for interbank collaboration.

"Together We Thrive" interbank ecosystem platform

Treasury Depository Business

The Bank consistently expanded and deepened interbank cooperation on treasury depository. As at the end of the reporting period, the Bank had carried out in-depth cooperation with 8 exchanges/settlement firms, as well as 119 securities, futures and insurance companies. During the reporting period, the cumulative transaction volume of treasury depository reached RMB2.88 trillion, of which the cumulative transaction volume of primary settlement and secondary settlement were RMB2.39 trillion and RMB0.49 trillion, respectively. Nearly 1 million depository accounts were newly added, and the cumulative number of depository accounts exceeded 7.7 million, representing a year-on-year increase of 14.48%.

Financial Market Business

In terms of the financial market business, the Bank proactively responded to challenges, actively seized market opportunities, dynamically optimized asset allocation, and continuously strengthened risk management. As a result, its profitability, trading capacity and core competitiveness were steadily improved.

Trading Business

In terms of the money market, the Bank fulfilled its responsibility as a major bank and proactively facilitated the transmission of monetary policies. It leveraged various money market instruments with a focus on the price of money and maturity structure, and steadily improved the efficiency of fund use and liquidity management on the basis of ensuring the safety of the Bank's liquidity, and maintained smooth operation of the financial market.

In terms of trading and market-making, the Bank gave full play to the supporting role of information technology in business development. Relying on the electronic trading system launched in 2022, it increased the frequency and scale of trading, realized automated market monitoring, program trading strategies and proactive risk management of RMB-denominated bonds and derivatives trading. Accordingly, the Bank comprehensively improved the pricing efficiency of proprietary trading, boosted the market activity of market-making transactions, and enhanced the overall trading competitiveness. The Bank focused on breaking barriers in terms of products, explored market opportunities, and introduced cross-market, cross-business and cross-category portfolio trading strategies to increase the income from fund operations. During the reporting period, the Bank's domestic and foreign currencies transactions amounted to RMB1.54 trillion, with a total of 30.3 thousand transactions. Furthermore, it was awarded the "Leading Institution in the Bond Market of the Year", "Market Influence Award of the Year", etc.

In terms of precious metals trading, with precious metal swaps and interbank lending as the breakthrough point, the Bank fully explored market opportunities, expanded trading counterparties, and improved market activity and influence. The trading volume of precious metals in the domestic market was 4.10 times that of the same period last year. It was recognized by Shanghai Gold Exchange as "Outstanding Business Innovation Contributor of the Year" for the first time.

Green world better life

Column

Electronic Trading System Went into Operation, Promoting Intelligent Upgrade of Businesses

In July 2022, the Bank's electronic trading system for financial market business went into operation. Based on big data technologies and financial engineering theory, the system is embedded with functional modules including curve trading, profit and loss attribution, automated ordering, real-time risk control, etc., covering various local currency trading books in the interbank market, which marked the Bank had made a new step toward intelligent financial market business, with greater ability to serve the market and deliver value.

The Bank's electronic trading system for financial market business has five major features:

Fast computation

The system adopts the advanced distributed cloud native technology, with high scalability and iterative efficiency. It has achieved high concurrency, high availability and low latency, and fully satisfies the business requirements for real-time capture, real-time computing and fast feedback.

Accurate calculation

The system monitors real-time market quotes, and relies on accurate and efficient modeling algorithm to make dynamic adjustment to benchmark curves for quoting and calculating asset prices. It tracks market transaction opportunities on a real time basis, boosts market activity and determines the optimal bid-ask spread for market-making business.

Complete tool kit

With its complete tool kit and various algorithmic orders, the system can create spread timing charts for different portfolio strategies, helping to make personalized trading strategies, risk strategies and portfolio strategies. It also supports one-click ordering of multi-asset and multi-maturity portfolios, effectively increasing the transaction efficiency.

Full functions

The system supports the ex ante approval and direct ordering functions of various external trading platforms, and provides real-time transaction monitoring and early risk warning. It streamlines the operation processes, and forms a closed-loop transaction management mechanism integrating the front, middle and back offices to improve effective management of market risk, operational risk and credit risk.

Strong analytics

The system is embedded with various algorithms for cost and return analysis, with real-time P&L attribution functions to show the operating status of account books in a quick and direct way. It is capable of simulating and analyzing portfolios, helping customers to optimize position structures.

The launch of the electronic trading system for financial market business marks a step forward to promote technological empowerment for trading business. Next, the Bank will strengthen technological empowerment for trading business, and expand the boundary of the system to support foreign exchanges, precious metals, bond lending, money market and other products. The Bank will establish a multi-dimensional trading system covering all products and services, leverage cutting-edge technologies and quantization algorithm to increase the core competitiveness of trading business in an all-round way, and will adopt a targeted approach to help improve the interbank liquidity and promote the development of the real economy.

Bond Investments

The Bank fully implemented major national decisions and plans, supported the development of the real economy, facilitated rural revitalization and regional development in all dimensions. It increased investment in key products such as local government bonds, and strengthened the investment and layout of unsecured bonds in advanced manufacturing and industries that meet people's basic needs. It embraced the green development concept and facilitated the green transition of the real economy. In 2022, new green bond investments was 6.12 times that of the previous year. The Bank had won the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for four consecutive years.

The Bank followed the principle of "led by investment research", tracked interest rate trends on a continuous basis, made scientific business strategies, and seized the opportunity of interest increase in overseas markets and successfully completed investments in offshore RMB bonds including the first transaction under Southbound Bond Connect, free-trade-zone bonds, etc. Capturing interest rate highs, it made timely adjustment to the pace of bond investment, reasonably arranged investment types and portfolio duration, firmly guarded against credit risk, and maintained good returns in a low interest rate environment. As at the end of the reporting period, the balance of the Bank's bond investment business stood at RMB3.68 trillion, an increase of RMB446,866 million or 13.80% over the prior year-end.

Asset Management Business

For the asset management business, the Bank adhered to the business policy of "ensuring stable growth, boosting transformation, and proactively and steadily promoting reform". It applied systems thinking in promoting product transformation, business reshaping and systematic reengineering, created a comprehensive product layout of "inclusive + wealth + pension", developed a market-leading investment research system with focus on mutual funds, promoted the development of a high-standard internal risk management system, provided all-round asset value-added services to investors, and facilitated the transformation and upgrading of the Bank's retail business as well as the building of the wealth management system.

2022 was the first year for the implementation of new rules on asset management. Under the guidance of regulatory requirements, the Bank completed the task of the transformation of wealth management business. As at the end of the reporting period, its wealth management products amounted to RMB830,062 million, and the net-value products amounted to RMB779,676 million. NAV-based products accounted for 93.93%, up 10.06 percentage points from the prior year-end, leading the industry in terms of growth rate. In 2022, the Bank reduced the size of old products by more than RMB100 billion, and carried out rectification of cash products in an orderly manner according to regulatory requirements to achieve a clean start.

Custody Business

The Bank took active steps to respond to fluctuations in the capital market, closely followed national strategies, seized opportunities to launch innovative products, and leveraged its advantages of funds as well as channels to realize rapid growth of key custody business. As at the end of the reporting period, the Bank's assets under custody amounted to RMB4.44 trillion. The insurance funds under custody exceeded RMB700.0 billion for the first time, an increase of RMB147,363 million or 26.48% over the prior year-end, which was 1.84 times the average growth rate of the industry. In terms of mutual fund custody business, the Bank effectively coped with the market shock and realized positive growth of RMB48,550 million despite the overall negative growth in the industry, pushing the total scale of business to RMB671,499 million, an increase of 7.79% over the prior year-end. In 2022, the scale of newly issued funds under custody ranked second in the industry. Throughout the year, it successfully brought under its custody the interbank certificate of deposit index funds, ESG-themed funds, themed funds targeting specialized and sophisticated enterprises that produce new and unique products, the first batch of hard-tech open-ended exchange-traded funds (ETFs) and other innovation funds, achieving new breakthroughs in the innovation of custody products.

The Bank took well-ordered steps to advance intensive operation of custody business, and established a custody operation center in the Head Office in Beijing, which would significantly improve the standardized, automated and efficient operation of custody services. The Bank fully rolled out direct connection services including electronic instructions and electronic reconciliation, and the proportion of direct connection services reached 90%. Upon faster iteration of the new generation custody system, the Bank is well placed to provide cross-border custody service, with its market competitiveness up to a new level.

Inclusive Finance

The Bank earnestly upheld the mission of "delivering accessible financial services in both urban and rural areas", pursued high-quality development, deepened digital transformation, proactively developed competitive advantages in online and offline services, and expanded the coverage of inclusive financial services. It strengthened mechanism and institutional support for all-around rural revitalization, and stepped up financial relief support and assistance for micro and small enterprises (MSEs) and self-employed individuals. As at the end of the reporting period, the balance of the Bank's inclusive loans to MSEs was RMB1.18 trillion; the number of households with loan balance stood at 1,934.4 thousand; and the balance of agro-related loans amounted to RMB1.81 trillion, with the proportions of both in total loan balance ranking in the forefront of major state-owned banks.

The balance of inclusive loans to MSEs was RMB **1.18** trillion, and the balance of agro-related loans amounted to RMB **1.81** trillion, with the proportions of both in total loan balance ranking in the forefront of major state-owned banks.

The Bank built **383.5** thousand creditworthy villages and rated **over 10 million** creditworthy households.

Rural Revitalization

The Bank faithfully carried out the decisions and plans of the CPC Central Committee and the State Council about rural revitalization, and strengthened technological empowerment, online-and-offline integration, coordinated development between urban and rural areas as well as internal and external coordination. Centering around the digital transformation of Sannong finance, the Bank focused on the development of a rural credit system and gained support from the intensive operation of Sannong finance. It made solid efforts to drive the "Ten Core Programs"[1] serving rural revitalization, collaborated with China Post Group in projects to benefit farmers based on villages, cooperatives, farmers, agricultural enterprises and rural supermarkets, and worked to build a digital ecosystem-based bank serving rural revitalization, so as to facilitate the high-quality and efficient development of Sannong financial services and promote all-around rural revitalization. As at the end of the reporting period, the Bank's balance of agro-related loans stood at RMB1.81 trillion, and the number of customers supported by agro-related loans exceeded 4.4 million. In active response to the government's call for reducing the financing cost of agro-related projects, the Bank's weighted average interest rate of newly granted agro-related loans was 5.03%, 36 bps lower from the end of last year. The balance of personal micro loans was RMB1.14 trillion, up by RMB219,840 million or 24.02% year on year.

Stepping up Top-level Design and Policy Support

Firstly, the Bank strengthened organizational leadership. It upheld the leadership of the Party Committee in serving rural revitalization, gave full play to the role of the Leading Group for Supporting Rural Revitalization, set up the Rural Revitalization and Inclusive Finance Management Committee, implemented and deepened the reform to the Sannong Finance Business Department (Rural Revitalization Finance Department), and strengthened the coordination of efforts to support rural revitalization. Secondly, the Bank formulated the Opinions of Postal Savings Bank of China on the Implementation of Key Tasks of Comprehensively Advancing Rural Revitalization in 2022, steadily pushed forward the

1 The "Ten Core Programs" refer to the development of a digital rural credit system, "PSBC E Chain" industrial chain platform, marketing to the customers to which credit lines are proactively granted and that are on the white list, collaboration with China Post Group that benefits farmers, intensive operation and digital risk control, scenario building at county level, ecosystem layout of corporate business for rural revitalization, Sannong ecosystem building featuring collaboration with direct bank, Sannong finance data middle office, Brand building for Sannong finance.

"Ten Core Programs" serving rural revitalization based on the "1-2-3-4-5" work framework[1], and improved the system of supporting policies including performance assessment, size of special credit, differentiated credit extension, etc. Thirdly, the Bank prepared example cases of supporting rural revitalization through SME banking and corporate banking, and promoted them across the Bank to lead business development. Fourthly, the Bank improved the industrial research mechanism, set up a working group on serving key industries in rural revitalization, carried out research on industries such as seed, pig, beef cattle and meat sheep, and promoted financial services for key industries in rural revitalization.

Promoting Quality Improvement and Upgrading of the Rural Credit System

Firstly, giving full play to its outlet network across urban and rural areas and leveraging the advantage of two committees (i.e., Party branch committees and villagers committees) who are familiar with local people and local conditions, the Bank sent customer managers to villages to collect information, developed creditworthy villages and rated creditworthy households, and introduced new online loan products to allow creditworthy households to borrow, draw down and repay loans via mobile banking at any time without leaving home, which greatly improved service efficiency and customer experience. Secondly, the Bank launched pilot projects for general credit extension to rural households. It pressed ahead with the comprehensive development of creditworthy villages, combined the development of creditworthy villages with the general credit extension to rural households, and selected some creditworthy villages nationwide and visited creditworthy households for general credit extension. Focusing on small-amount credit extension for rural households, the Bank issued cards for villagers in batches, opened mobile banking accounts and provided comprehensive financial services including credit, wealth management, insurance, credit card, etc. Thirdly, the Bank built a visual management platform for administrative villages. By empowering the rural credit system through technology, the Bank developed digital and visual management tools, kept abreast of the development of and service effectiveness for creditworthy villages, and promoted the further development of creditworthy villages with high quality. Fourthly, the Bank built a village-based customer manager team. It formed an "iron triangle" management team consisting of customer relations managers, village-based customer managers and risk specialists, and ensured financial services for villages and credit risk warning. As at the end of the reporting period, the Bank built 383.5 thousand creditworthy villages and rated over 10 million creditworthy households.

In line with the guiding principle of "village-based credit extension and granting credit to all eligible ones", the Bank selected five creditworthy villages in Xuzhou City, Suqian City and Lianyungang City of Jiangsu Province and carried out pilot projects of general credit extension to the creditworthy households. In just one month, by promoting the business in batches, visiting households within a set time frame, 10-minute credit extension and other means, the Bank reached 87% of permanent residents in pilot villages, realized a 77% coverage of proactive credit extension, and grew the number of loan customers by 1.5 times and the amount of loans by RMB42.97 million. Correspondingly, the Bank saw the number of newly opened debit cards increase by 71%, the number of customers registered on mobile banking app rise by 63% and customer deposits quadruple, delivering comprehensive financial services to administrative villages.

1 "1-2-3-4-5": "1" refers to upholding one main task of digital transformation of Sannong finance; "2" refers to giving play to two advantages, i.e. "online + offline" model and collaboration with China Post Group; "3" refers to building three platforms, i.e. big data on agriculture and rural areas, bank-enterprise and bank-government connection, and collaboration between China Post Group and PSBC; "4" refers to four types of data, i.e. rural households and creditworthy villages, rural resources, government affairs, and China Post Group members; "5" refers to five scenarios, i.e. production and operation in rural areas at county level, daily consumption, agro-related industry ecosystem, coordination between China Post Group and PSBC, and government affairs in rural areas.

Column

Collaborating with China Post Group to Create the Service Ecosystem That Benefits Farmers

In Gutian County, Ningde City, Fujian Province, reputed the "Land of Edible Mushrooms in China", PSBC's Gutian Sub-branch collaborated with China Post Group's Gutian Branch and leveraged the integrated flows of business, goods, funds and information of China Post Group, to provide credit, logistics and e-commerce services to new-type agricultural operators. The efforts were aimed to build a product and service system benefiting farmers, create a service ecosystem that combines industry and finance and benefits farmers, truly participate in every part of the agricultural industrial chain, and offer the "first mile" delivery service for agricultural products to be available in cities and the "last mile" financial services in villages, and contributed to the exploration of a new path to serving farmers. In 2022, PSBC's Gutian Sub-branch newly granted RMB1,019 million of agro-related loans, and the balance of loans amounted to RMB1,261 million at the year-end, benefiting 11,150 family farms, cooperatives and rural households. China Post Group's Gutian Branch delivered 8.35 million parcels in total, helping 471 customers send agricultural products to cities.

At the sales end, PSBC's Gutian Sub-branch collaborated with China Post Group's Gutian Branch and built local edible mushroom bases into China Post Group's distinctive agricultural product bases in Fujian. By building China Post Group's demonstration agricultural product bases and launching platforms for the production, supply and sales of agricultural products, they leveraged the brand of China Post Group's agricultural products and drove sales both online and offline. At the financing end, firstly, based on the characteristics of the front, middle and back ends of the industrial chain, PSBC's Gutian Sub-branch provided or developed special credit products. Secondly, with the support of technologies and mobile business terminals, it offered services benefiting farmers, through which relationship managers can complete loan application reception, qualification examination, contract signing and loan extension through mobile business terminals at the site, saving the trouble of travelling for customers applying for micro loans in remote areas and effectively improving service quality. At the logistical end, China Post Group met farmers' needs for product delivery in time through its delivery service, took advantage of the delivery networks and channels in counties, and, relying on the three-tiered express delivery system of counties, townships, and villages, extended the routes of express delivery further into rural areas and solved the "last mile" problem of logistical distribution in rural areas. Innovative delivery services were introduced, and the "Fast Delivery of Fresh Food" business was launched in support of agricultural product bases to ensure timely delivery of fresh agricultural products, improved quality of life for farmers and drove the development of rural economy.

Pre-production services 1 2 3

PSBC collaborated with China Post Group on the development of creditworthy villages and construction of China Post Group's agricultural product bases. Also, it launched a big data platform for agriculture and rural areas, offered doorstep services through mobile business terminals, and realized "instant approval and extension" through Speedy Loan, to solve the "last mile" problem of financial services in rural areas and support industrial development. As at the end of the reporting period, it built 254 creditworthy villages, benefited 45 cooperatives, and rated 4,872 creditworthy households.

In-production services 4 5

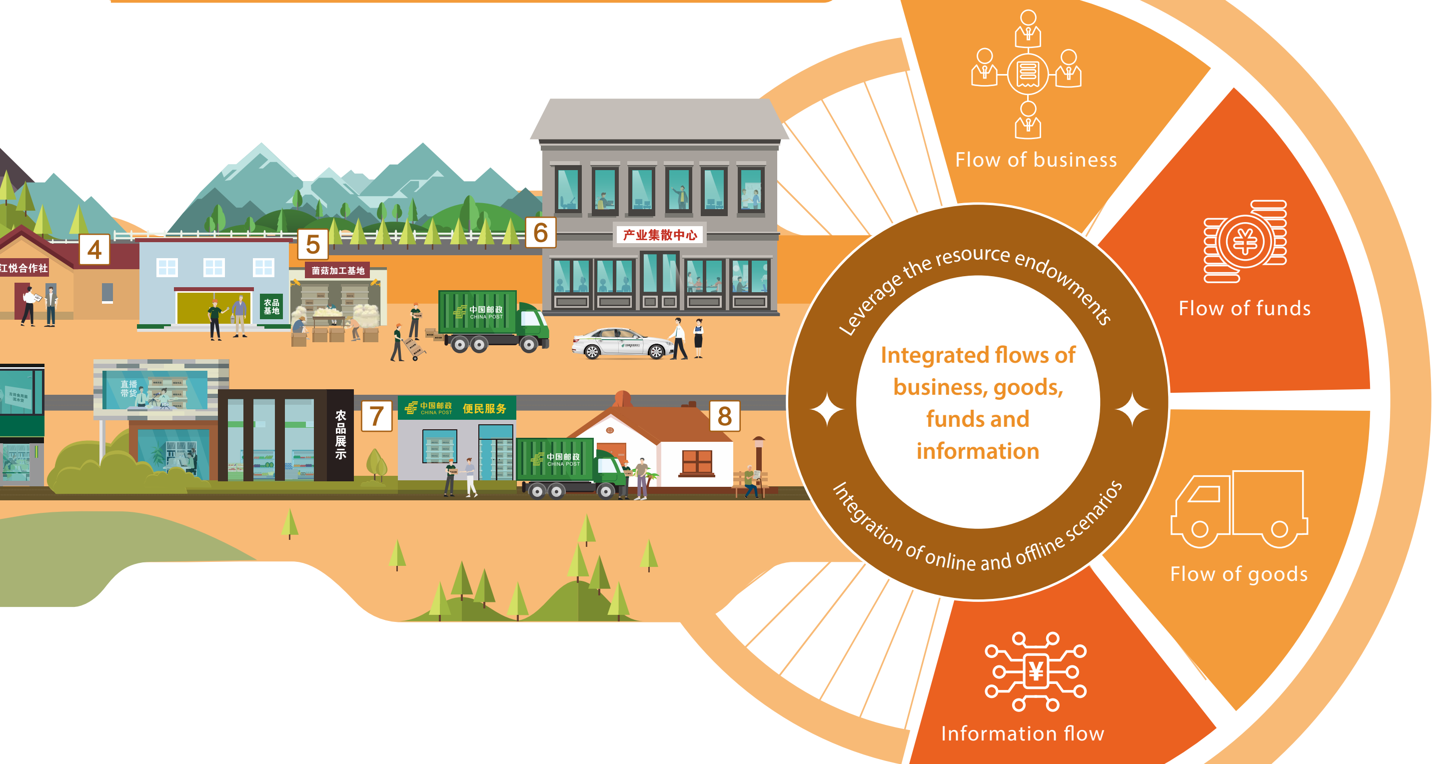
PSBC collaborated with China Post Group and gave play to their advantages in offline operation. They reached the frontline of production, visited rural households in villages to tap more scenarios, applied financial services to production and life, integrated features of the online "China Post Farmer Service App" to provide productive material procurement, agro-technical services and other services supporting agricultural production, build Sannong financial ecosystem and enable the shift from "perceived service" to "unperceivable application" for farmers.

Green world better life

Collaboration between PSBC and China Post Group to promote rural revitalization

CCTV interview of Liu Aili, Chairman of China Post Group

The “Gutian Model” for Rural Revitalization	Efforts were made to empower the featured edible mushroom industry of Gutian County, Fujian Province through information and data, collaboration between PSBC and China Post Group and integration of online and offline scenarios, and by offering integrated financial services that cover pre-production, in-production and post-production processes.



Post-production services 6 7 8	PSBC collaborated with China Post Group to create closed-loop services and deepen cooperation for the benefit of farmers. They built the “county – township – village” three-tiered logistics system, extended the express delivery routes further into rural areas, and enabled the fast delivery of agricultural products through the “Fast Delivery of Fresh Food” service, to connect rural areas with cities. Efforts were also made to promote the marketing and brand forging of agricultural products by fully leveraging China Post Group’s “online plus offline” exhibition and marketing system, and deliver “one-stop, integrated and unperceivable” financial services in the settlement of bills for agricultural product sales.

Empowering Rural Revitalization through Technology

Improving Online Products and Advancing Proactive Credit Extension

Firstly, the Bank built an end-to-end whole-process digital credit business platform that allows flexible configuration of products, continuously optimized the features of online products, and accelerated the development of online products like Speedy Loan and "Easy Small and Micro Loan", to offer rural customers efficient and convenient financial services. During the reporting period, the number of the Bank's micro loans granted online accounted for over 95% of the total. Secondly, the Bank advanced proactive credit extension and direct customer management at the Head Office. It used big data technologies to tap the existing customer base and generated the whitelist for proactive credit extension in batch. It worked to build a direct customer management system at the Head Office, and used short messages, pop-up windows, intelligent outbound calls, manual outbound calls and other customer contact channels to realize customer conversion. It launched the "Marketing Map" as a supporting tool to empower offline manual marketing at branches and sub-branches and form the marketing system that combines online and offline scenarios and links the Head Office and branches. Thirdly, the Bank empowered the offline operation mode through technology. Based on mobile business terminals, the Bank leveraged facial recognition, big data analysis, mobile locating and other technologies to digitalize the micro loan extension process. With mobile business terminals, bank staff can process loan application, contract signing and loan disbursement on site, changing from "counter services" to "doorstep services". Fourthly, the Bank gave full play to the leading role of technological empowerment demonstration projects. It took an active part in the demonstration project of FinTech-empowered rural revitalization organized by seven ministry-level organizations including the PBOC, regularly held project discussions, carried out special training on a monthly basis, and drove the implementation and roll-out of 25 demonstration projects.

Promoting Intensive Operation

Firstly, the Bank facilitated the reform toward intensive review and approval, launched pilot projects of centralized review and approval, continuously upgraded the review and approval model, improved the automatic review and approval rate, and advanced the establishment of a centralized, multi-layered review and approval system. Secondly, the Bank promoted centralized post-lending management, and urged 36 tier-1 branches to initiate pilot projects of centralized post-lending management. Also, it upgraded the B card model, harmonized rules on early warning for post-lending risks of micro loans, realized nationwide coverage of intelligent outbound calls for repayment reminders and collection of overdue loans, post-lending inspection of loans granted via mobile business terminals, as well as self-service post-lending functions and high-frequency post-lending service for mobile banking customers, to improve accuracy and convenience of post-lending management.

Strengthening Intelligent Risk Control

Firstly, the Bank put in place an intelligent risk monitoring and early warning system. Leveraging big data, cloud computing and other technologies, it integrated data inside and outside the Bank, implemented a 360-degree multidimensional, life-cycle intelligent monitoring, continued to enrich and optimize the risk warning model to improve the timeliness and accuracy of risk warning in systems. Secondly, the Bank improved the day-to-day risk monitoring mechanism, designated people to oversee the reduction of overdue non-performing loans on a daily basis, and reported the implementation of risk limits on a quarterly basis. It extracted data from the risk early warning model, screened the business with high risks, and pressed ahead with off-site risk investigation. Thirdly, the Bank exercised strict management of its personnel, implemented the Prohibited Conduct of Micro Loans Officers, and included serious violators in the blacklist for management. As at the end of the reporting period, the NPL ratio of micro loans was 1.70%, which remained stable overall.

Consistently Providing Financial Services for Key Areas of Rural Revitalization

Firstly, the Bank worked vigorously to help consolidate and build on gains in poverty alleviation. It strictly followed the requirements of shaking off no responsibilities, policies, assistance or regulations even when poor counties had been removed from the poverty lists, kept major financial assistance policies generally stable, and ramped up support for the groups and areas lifted out of poverty, particularly the key counties receiving assistance for rural revitalization. As at the end of the reporting period, the balance of various loans granted by the Bank to areas lifted out of poverty (832 counties which have been lifted out of poverty) totaled RMB413,375 million, an increase of RMB55,318 million from the prior year-end; the balance of various loans granted by the Bank to the key counties receiving assistance for rural revitalization stood at RMB47,898 million, an increase of RMB6,469 million, or 15.61%, from the prior year-end. Secondly, the Bank was committed to serving food security. It stepped up credit policy support, and formulated credit policies for crop planting, grain processing and other industries. It issued marketing guidelines for corporate banking in the grain industry, actively reached out to core grain producers, supported the purchase of summer and autumn grain, and increased support for key fields of food security. It developed financial service plans for spring farming and preparation, set up a fast track of credit services, and offered preferential interest rates. Thirdly, the Bank supported rural development initiatives. Focusing on the improvement of energy facilities, water supply, garbage disposal and other aspects of the living environment in rural areas as well as the development of high-standard farmland, reserve forests and other agricultural infrastructure, the Bank created an integrated financial service model and continuously improved financial services for rural development. Also, the Bank intensified product innovation, continuously optimized products such as water utility loans, garbage disposal loans, photovoltaic loans, heat supply loans, hospital loans and education loans, and, targeting customers' pain points, adjusted product elements in a timely manner to meet diversified needs of customers. Fourthly, the Bank ensured inclusive financial services for rural areas. It actively extended the reach of basic financial services in rural areas, prioritized the establishment of new outlets in towns and townships with no or little access to financial services, improved self-service equipment service, and optimized the operation model of outlets. The Bank optimized the functions of mobile banking, launched the Sannong version of mobile banking, promoted open bill payment in counties, and advanced the construction of the mobile payment acceptance environment in county-level areas. Also, it upgraded rural revitalization themed credit cards, promoted rural revitalization themed debit cards, tailored wealth management products for rural customers, and launched the campaign of making government bonds available in the countryside, to support residents in counties and townships pursuing a better life.

Efforts Made in Consolidating and Building on the Gains in Poverty Alleviation and Facilitating Rural Revitalization

Item	
Balance of various loans granted to areas lifted out of poverty	RMB413,374,890.8 thousand
Growth of various loans granted to key counties receiving assistance for rural revitalization	15.61%
Balance of loans for targeted financial assistance	RMB123,967,471.1 thousand
Number of people benefiting from loans for targeted financial assistance	469,992
Forms of assistance	Targeted assistance to industries, targeted assistance to projects, targeted assistance to individuals, etc.

Vigorously Creating a Collaborative Service Ecosystem

Firstly, PSBC strengthened collaboration with China Post Group. Efforts were made to integrate resources in various segments of China Post Group, and to advance cooperative projects that benefit farmers based on villages, cooperatives, farmers, agricultural enterprises and rural supermarkets. The Bank built five major models of collaboration between PSBC and China Post Group to serve rural revitalization[1], created a service ecosystem that benefits farmers, and provided rural customers with a comprehensive package of services including parcel delivery, e-commerce and financial support. Secondly, the Bank pressed ahead with the collaboration with direct banking. It gave play to the role of YOU+ BANK and, by collaborating with its direct banking subsidiary and drawing upon each other's advantages, explored new models to support Sannong business with digital service. Thirdly, the Bank deepened collaboration with external stakeholders. It strengthened information sharing with and product offerings to governments, enterprises, associations, guarantee companies, insurance companies and other institutions, participated in the development of smart government affairs platforms for rural areas, and carried out marketing campaigns themed "PSBC-sponsored Car Purchase Season For Rural Areas". It pushed for online cooperation with agricultural financial guarantee, improved the express lending platform called "PSBC E Chain" and incorporated financial services into more agricultural and rural scenarios, so as to build a service ecosystem for rural revitalization with multi-party collaboration, win-win cooperation and risk sharing. Also, the Bank took active part in the "credit through train campaign for agribusiness" launched by the Ministry of Agriculture and Rural Affairs, and ramped up support for ordinary rural households, family farms and specialized large-scale farmers.

1 The five major models of collaboration between PSBC and China Post Group refer to the model of collaboration between PSBC and China Post Group in support of rural commercial circles, the model of collaboration between PSBC and China Post Group on batch development, the model of collaboration between PSBC and China Post Group in support of Ule.com merchants, the model of collaboration between PSBC and China Post Group on the development of creditworthy villages, and the model of collaboration between PSBC and China Post Group in support of industrial chains.

Column

Fully Supporting Rural Industrial Revitalization and Focusing on Featured Agricultural Products

As the top priority of rural revitalization, industrial revitalization requires efforts to develop competitive industries by leveraging featured resources and focusing on market demands and promote the integrated development of the primary, secondary and tertiary industries to deliver greater benefits to rural areas and farmers. The Bank thoroughly implemented various decisions and plans of the CPC Central Committee and the State Council about rural industrial revitalization, and fully leveraged the advantages generated from its collaboration with China Post Group. Following the guidelines of "One County, One Industry and One Village, One Product" and focusing on featured rural industries which are "small but with excellent quality" and "distinct and superb", the Bank constantly built efficient models, intensified product innovation, optimized operation process and strengthened industrial research. Through digital industrial chain finance and integrated services for featured industries, the Bank has incorporated finance into various agricultural industries and business circles, and delivered more accessible and higher-quality financial services to customers across the agro-related industrial chain.

Firstly, the Bank tailored new products and models for local areas, and took targeted measures to support the high-quality development of featured rural industries. Centering on featured industries which are "small but with excellent quality" and "distinct and superb" and leading agricultural industrialization enterprises, the Head Office created distinctive industrial models and industrial chain models supporting rural industries, and, by integrating existing products and introducing new industrial loans, built the PSBC E Chain platform to boost the improvement of distinctive industrial chains and value chains in rural areas. Based on local reality, PSBC's branches expanded the scope of collateral, explored diverse financing means including credit, guarantee and mortgage with living assets, and created featured products to suit local conditions, such as beef cattle loans, apple loans and live pig loans, to drive the clustering of featured industries in rural

PSBC's "One Branch, One Product" Business

Green world better life

areas. Secondly, leveraging the integrated flows of business, goods, funds and information of China Post Group, the Bank helped address difficulties in financing, sales and logistics for featured rural industries. Taking advantage of the integrated flows of business, goods, funds and information of China Post Group and built on the model of "delivery + e-commerce + finance", it tailored "one-to-one" service plans for featured rural industries, in which it financed industrial development through funds, promoted sales through e-commerce platforms and facilitated movements of products through logistical services, effectively removing difficulties in financing, sales and logistics. Thirdly, the Bank optimized operation processes based on the characteristics of rural industries, and efficiently served featured rural industries. Centering on agro-related featured industries, it identified the key points of review and approval for featured industries and common risk points, formulated norms for review and approval of micro loans, kept improving operation processes and enhanced the quality and efficiency of services for rural industries. Fourthly, the Bank stepped up research support to make services more aligned with the demands of featured rural industries. It worked to build a research mechanism based on collaboration among different departments and coordination between the Head Office and branches, set up a working group serving key industries in rural revitalization, and prepared research reports on the Bank's services for key industries in rural revitalization, such as beef cattle and live pigs, to offer strong support for the formulation of credit policies, centralized industrial development and early warning of industry-related risks.

As at the end of the reporting period, the Bank has developed more than 200 business solutions for featured industries, and served over 360 featured rural industries. Leveraging its extensive network of outlets in lower-tier markets, the Bank granted RMB22,551 million of industry loans on a cumulative basis, with the underlying assets ranging from highland barley and yaks on the plateau to sea cucumbers and oysters in oceans and from mangoes and litchis in tropic rainforests to Chinese angelica and wolfberries on the gobi deserts, and the balance of loans stood at RMB19,360 million.

Beijing	Bees, peaches, homestay
Tianjin	Rice, homestay, roasted seeds and nuts
Hebei	Beef cattle, mutton sheep, dairy products
Shanxi	Apples, beef cattle, Chinese medicinal herbs
Inner Mongolia	Beef cattle, mutton sheep, grain
Liaoning	Beef cattle, rice, ginseng
Jilin	Beef cattle, ginseng, black fungus
Heilongjiang	Rice, corn, soybeans
Shanghai	Rice, mariculture, live pig
Jiangsu	Yangcheng Lake hairy crabs, Xuyi crayfish, Yangshan juicy peaches
Zhejiang	Tea industry, aquaculture and fishing, fruit farming
Anhui	Tea, grain, vegetables
Fujian	Tea, mariculture, edible mushrooms
Jiangxi	Down feather, Majia pomelo, homestay
Shandong	Grain, livestock and poultry, fruits and vegetables
Henan	Grain purchase, live pig, beef cattle
Hubei	Aquatic products, grain, tea
Hunan	Day lily, Bingtang oranges, tea

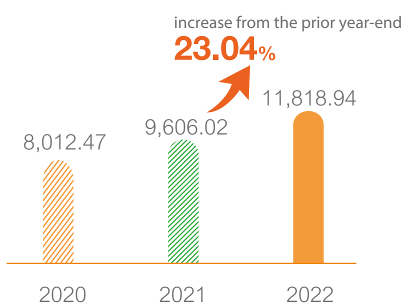
Guangdong	Tilapia, dried tangerine peel, litchi
Guangxi	Live pig, timber, inland waterway transport
Hainan	Mangoes, litchi, areca-nuts
Chongqing	Live pig, beef cattle, citrus
Sichuan	Beef cattle, tobacco, tea
Guizhou	Chili, tea, roxburgh rose
Yunnan	Pu'er tea, beef cattle, flowers
Tibet	Highland barley, yaks
Shaanxi	Kiwi fruit, apples, milk goat
Gansu	Pinellia ternata, corn, Chinese angelica
Qinghai	Beef cattle, mutton sheep
Ningxia	Beef cattle, Tan sheep, wolfberries
Xinjiang	Cotton, beef cattle, chili
Dalian	Broiler chicken, sea cucumbers, cherries
Ningbo	Fishing by vessels, fodder, grapes
Xiamen	Dragon fruit
Qingdao	Peppers, grain, agricultural and sideline products
Shenzhen	Wholesale of agricultural products

Microfinance

The Bank actively implemented the decisions and plans of the CPC Central Committee and the State Council for ensuring overall economic stability, and worked vigorously to help MSEs ease their burdens, overcome difficulties and restore development. It strengthened empowerment through technology, continued to optimize the "5D (Digital)" systems, i.e., digital marketing system, digital product system, digital risk control system, digital operation model and digital service method, made technology a stronger driver of development, and boosted the quality and efficiency of microfinance services. The Bank continuously dedicated efforts to the development of microfinance, further optimized the long-term mechanism of "having the courage, will, ability and means to grant loans" to MSEs, cemented the foundation for development and strengthened the core professional capability of providing microfinance services. As at the end of the reporting period, the balance of inclusive loans to MSEs stood at RMB1.18 trillion, accounting for more than 16% of the total loans to customers, ranking in the forefront among major state-owned banks. The number of households with loan balance was 1,934.4 thousand, a net increase of 223.8 thousand from the beginning of the year. In active response to the government call for fee cut and interest concessions, the Bank granted inclusive loans to MSEs at an average interest rate of 4.85% in the year, a year-on-year decrease of 34 bps, and cut or exempted fees for MSEs and self-employed individuals, effectively lowering business costs for MSEs.

Inclusive loans to MSEs

(In RMB100 million)



The outstanding online loans to MSEs stood at RMB **1.12** trillion, an increase of **56.53**% from the prior year-end.

30 technological innovation financial business units and sub-branches were set up.

Increasing Assistance to help MSEs Overcome Difficulties and Restore Development

As the business operation of MSEs gradually picked up, the Bank further stepped up financial relief to fully support their recovery. It provided medium and long-term credit support for MSEs, with a focus on the restructuring and upgrade of traditional industries, R&D and manufacturing of high-end scientific research instruments and other cutting-edge areas. It actively implemented the PBOC's policy to temporarily cut interest rates on inclusive loans for MSEs, effectively lowering the financing costs of MSEs. In collaboration with the China Institute for Small and Medium Enterprises, the Bank launched a series of training activities themed "PSBC Facilitates Micro and Small Businesses", and invited well-known experts to interpret policies aimed at benefiting and assisting enterprises in detail. During the reporting period, four training sessions were held, covering over 8,000 person-times.

Focusing on Specialized and Sophisticated Enterprises That Produce New and Unique Products and Establishing and Improving the Financial Service System for Sci-Tech Enterprises

The Bank worked to build specialized institutions and teams, and set up 30 specialized institutions dedicated to providing financial services for sci-tech enterprises in key areas of the country to provide sci-tech enterprises with comprehensive, specialized and dedicated services. It customized rating models, and, based on the traditional rating model, worked out precise customer portraits in combination with R&D input, patents, growth potential and policy support of the specialized and sophisticated enterprises that produce new and unique products, restored credit ratings of sci-tech enterprises to reflect their true risk profiles, and established the "future-oriented" evaluation approach. Moreover, the Bank enriched the product lineup, tailored products such as the "Science and Technology Credit Loan", "Science and Technology Innovation E-Loan" and guarantee for sci-tech enterprises in batches based on their "asset-light and operation-light" features, and formed a whole-life-cycle product system in support of sci-tech enterprises. As at the end of the reporting period, the Bank served 54.0 thousand specialized and sophisticated enterprises that produce new and unique products as well as sci-tech enterprises, with the loan growth rate exceeding 40%.

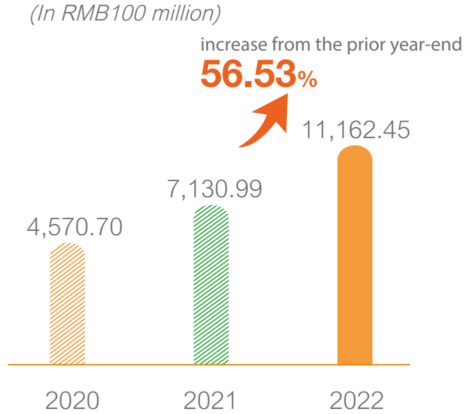
Strengthening Technological Empowerment and Further Advancing Digital Transformation

The Bank continued to optimize the "5D (Digital)" systems, i.e., digital marketing system, digital product system, digital risk control system, digital operation model and digital service method. It upgraded the mobile banking app for MSEs, offering them online financing services like loan application, credit line evaluation and draw-down as well as value-added services like enterprise management, business opportunity matching and bid information inquiry. It enriched scenarios for online "Easy Small and Micro Loan" services, stepped up credit information sharing and integration, and, relying on the national platform of integrated credit services for SME financing (xyd.creditchina.gov.cn), created several special credit loan products dedicated to vertical areas such as "Credit Loan for Sci-Tech Enterprises" and "Credit Loan for Industries". As at the end of the reporting period, the outstanding online loans to MSEs stood at RMB1.12 trillion, an increase of RMB403,146 million, or 56.53% from the prior year-end. The Bank fully rolled out the digital credit factory for MSEs and paperless operation mode, applied digital technologies and explored to establish an efficient operating system featuring intensive management, standard operation and intelligent decision-making to improve service efficiency on all fronts. Also, it established a risk control system of "customer portraits + model rules + risk control strategy + automatic early warning" with access of data from over 100 external institutions, created 360-degree visualized digital customer portraits, set up anti-fraud strategy system, a collection of intelligent review and approval rules and models, and post-lending risk monitoring and early warning system, thus effectively improving the accuracy of risk identification.

Improving the Long-Term Mechanism and Continuously Enhancing Specialized Capabilities

The Bank continuously optimized the long-term mechanism of "having the courage, will, ability and means to grant loans" to MSEs, introduced internal and external data to improve risk control models and strategies, strengthened forward-looking risk warning, and bolstered the courage to lend. It further intensified the top-level design and institutional guarantee for the inclusive finance strategy, with the inclusive finance business department set up at all branches to correspond to the Inclusive Finance Business Department of the Head Office, and strengthened positive incentives such as internal fund transfer pricing and marketing expense-related incentives and performance evaluation-oriented guidance, to boost the will to lend. It allocated special credit resources and constantly enhanced integrated customer service capabilities, to consolidate the ability to lend. The Bank drove the deeper integration between online and offline channels. With online contact points as a medium and window, it vigorously promoted Easy Small and Micro Loan and E-Withdrawal services online. With offline networks as its core and unique features, it scaled up digital credit factories for MSEs and enhanced customer experience in offline loan application through standard operation, so as to improve the ability to lend.

Outstanding online loans to MSEs
(In RMB100 million)



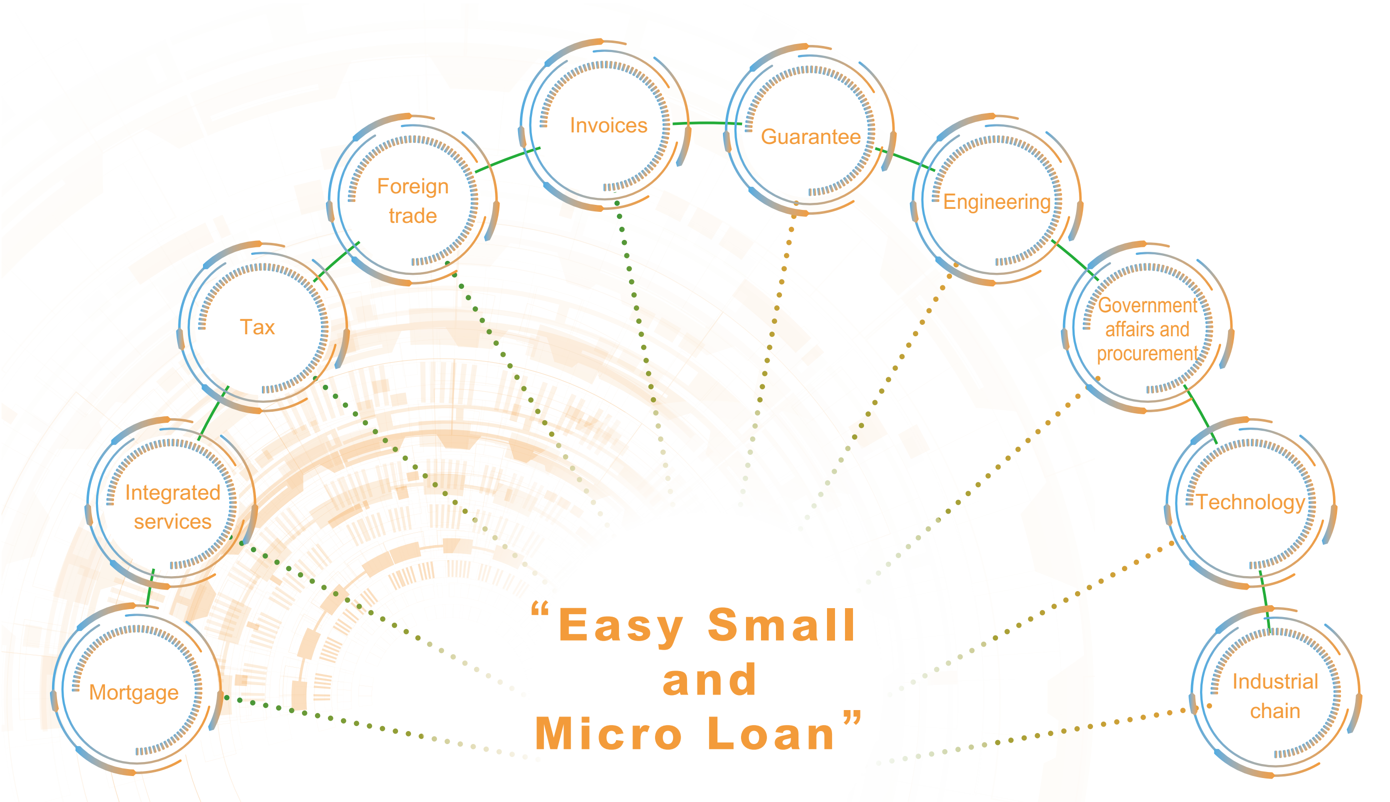
Column

Multidimensional Development of Digital Inclusive Service Scenarios

The Bank pressed ahead with the digital transformation of microfinance, extensively introduced external data, developed digital customer portraits and created digital service scenarios. Based on the "5D (Digital)" systems, it leveraged advanced technologies to constantly improve the quality and efficiency of microfinance services.

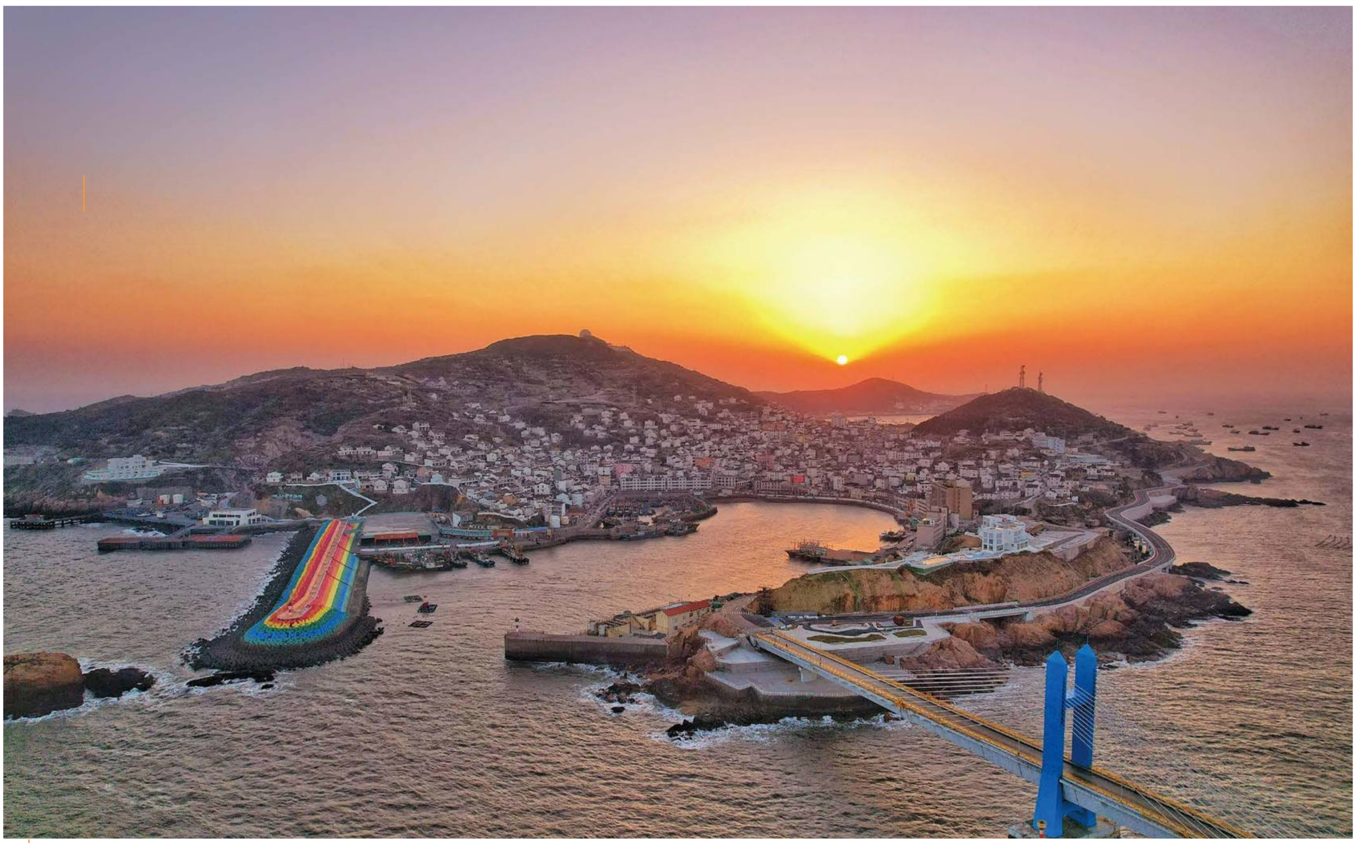
The Bank continuously optimized the "Easy Small and Micro Loan", its signature digital product. Centering on the life cycle of MSEs, it connected to data about tax, invoices, IPR, enterprise orders and core enterprises, and built 10 major service models respectively for tax, invoices, integrated services, mortgage, guarantee, government affairs and procurement, engineering, foreign trade, industrial chain and technology, which cover various production and operation scenarios of MSEs, allow whole-process online operation, support lending and repayment at any time and meet the diverse financing needs of MSEs. Also, the Bank empowered traditional credit business through technology, and realized draw-down via online banking of credit line and automatic loan extension through the "E Loan Draw-down" service for small enterprises, to meet customers' demand for loan draw-down and repayment at any time and any place.

Ten major service models of "Easy Small and Micro Loan"



To further improve customers' credit-related experience and deliver more comprehensive financial services and more accessible online scenario services to them, based on the "PSBC-sponsored Operation" mobile banking app, the Bank tailored the mobile banking app for MSEs, which supports loan application and credit line evaluation with one click and online loan draw-down and repayment, and provides expedient services like data authorization on mobile terminals, real estate value evaluation and credit reference authorization. The Bank introduced account services, payroll services and other high-frequency non-credit services, offered self-developed scenario services like enterprise management, business opportunity matching and micro and small enterprise index, while worked with suppliers in vertical areas to deliver industrial and commerce inquiry, fiscal and tax services, bid information inquiry, delivery cards for MSEs and services in other scenarios, to render MSEs more integrated services via mobile terminals. Also, it built a service team dedicated to MSEs, and provided them with 24/7 exclusive services through the "My Relationship Manager" function.

The Bank deepened cooperation with governments. Relying on the national platform of integrated credit services for SME financing (xyd.creditchina.gov.cn), it stepped up the sharing and integration of credit information, and created innovative "easy loan" products focused on vertical areas such as the "Engineering Corporate Loan", "Engineering Corporate Credit Guarantee", "Easy Loan for Sci-Tech Enterprises" and "Easy Loan for Industries". Also, the Bank pushed for the building of demonstration areas for common prosperity. PSBC Zhejiang Branch collaborated with the People's Government of Shengsi County and Zhoushan Press Media Group, and created a joint force in which the government took the lead through policies, the Bank provided credit channels and the media promoted information sharing, in an effort to build the first "island of common prosperity" in China and advance industrial transformation and upgrade.



PSBC's pilot project of "Island of Common Prosperity" was officially launched in Shengsi County, Zhoushan City, Zhejiang Province

Column

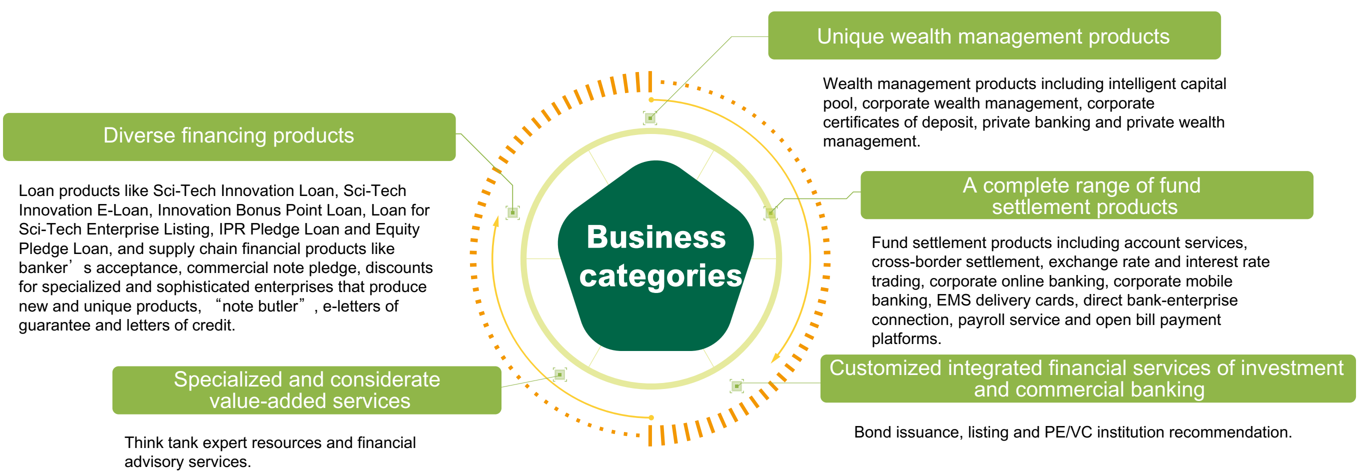
Focusing Precisely on Customer Needs and Improving the Financial Service System for Sci-Tech Innovation

The Bank further ramped up financial support for sci-tech innovation of enterprises, continuously optimized the financial service system for sci-tech innovation through specialized institutions and teams, refined marketing and risk control, distinctive products and services and innovative business models, and constantly improved the quality and effectiveness of financial services for specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises. Aligned with the different development stages and operating models of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises, the Bank, upholding the philosophy of serving customers as a lead bank, precisely focused on their demands in five aspects, i.e. **financing and credit facility, wealth management, settlement and account management, capital market, and consulting and matchmaking**, and created five major product lineups to offer life-cycle services to customers across the value chain. Also, leveraging the advantage that it serves a great number of sci-tech enterprises in a range of segments, the Bank used the cloud survey system for the MSEs operating index to study the portraits of key and core technology entrepreneurs, and made relevant recommendations.

The Bank's **diverse financing products** include loan products like Sci-Tech Innovation Loan, Sci-Tech Innovation E-Loan, Innovation Bonus Point Loan, Loan for Sci-Tech Enterprise Listing, IPR Pledge Loan and Equity Pledge Loan, and supply chain financial products like banker's acceptance, commercial note pledge, discounts for specialized and sophisticated enterprises that produce new and unique products, "note butler", e-letters of guarantee and letters of credit. Its **unique wealth management products** include intelligent capital pool, corporate wealth management, corporate certificates of deposit, private banking and private wealth management. Its **complete range of fund settlement products** include account services, cross-border settlement, exchange rate and interest rate trading, corporate online banking, corporate mobile banking, EMS delivery cards, direct bank-enterprise connection, payroll service and open bill payment platforms. Its **customized integrated financial services of investment and commercial banking** include bond issuance, listing and PE/VC institution recommendation. Its **specialized and considerate value-added services** include think tank expert resources and financial advisory services.

The Bank worked consistently to deepen the analysis and research on specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises. Based on the cloud survey system for the MSEs operating index, the Bank relied on its nationwide relationship manager teams to interview over 700 key and core technology entrepreneurs, and built an evaluation indicator system from two perspectives, i.e., dedication to science (scientific research strength) and entrepreneurship (business strength), to conduct profile analysis on key and core technology entrepreneurs. Key and core technologies are the technologies that can inspire a new wave of technological revolution, trigger new industry reforms and lead the next round of leapfrog development. The quality of key and core technology entrepreneurs largely determines the operating quality and future prospects of an enterprise. Research results show that key and core technology entrepreneurs share three things in common: outstanding research ability, excellent business management ability, and the positive correlation between their quality and the operating results of enterprises. Key and core technology entrepreneurs mostly majored in science or engineering, and have achieved something in scientific research before starting businesses; 40% of the entrepreneurs once had successful experience in business running, and over 90% of the entrepreneurs have long-term suppliers, dealers or senior management partners, enjoy a high reputation, are worth trusting and following, and have strong business strength. Through the analysis of the portraits of key and core technology entrepreneurs, the Bank further improved the "future-oriented" model, and contributed its expertise and strength to the high-quality development of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises.

Five product lineups



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Entrepreneur Profile Analysis

Number of core papers and monographs

Number of invention patents or PCT patents

Years of research in the field

Educational background

Level of the school of graduation

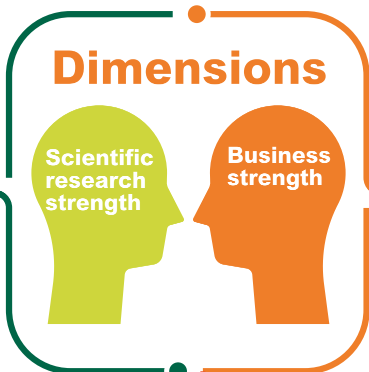
Major

Job title

Received state or provincial-level sci-tech award or not

Drafter of national standards or not

Sci-tech talent honors



Technical advantages — Proportion of R&D input to operating income, proportion of R&D personnel to the total number of employees

User orientation — Number of market surveys conducted annually

Successful experience — Number of successful business projects

Dedication to work and vigor at work — Average working hours per day

Reputation — Having long-term partners or not (suppliers, dealers, senior management partners)

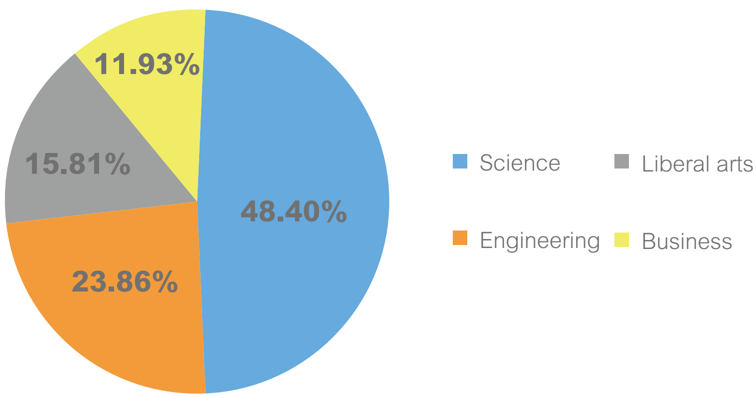
Investor recognition — Enterprise ever invested by a VC firm or not

Team building — Proportion of internally promoted senior management members

Management capability — Turnover rate of the team over the last three years

Further study — Academic degree obtained after work

Breakdown of entrepreneurs by major



Majority-Owned Subsidiaries

The Bank has three majority-owned subsidiaries, namely YOU+ BANK, PSBC Wealth Management and PSBC Consumer Finance. During the reporting period, in line with the overall strategy of PSBC, the majority-owned subsidiaries optimized their corporate governance structures, deepened business transformation, strengthened risk prevention and control, and realized sound development overall.

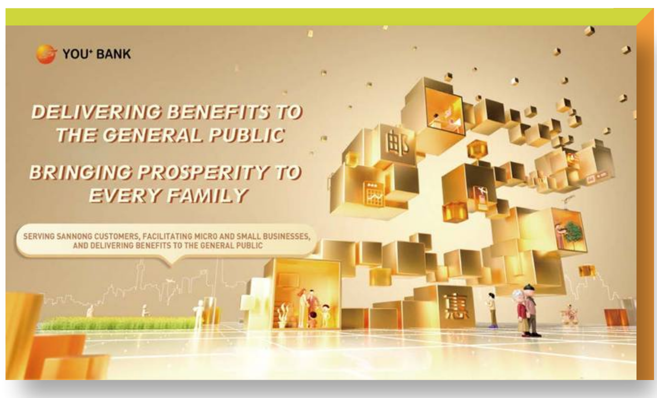
YOU+ BANK

YOU+ BANK was established on January 7, 2022, with a registered capital of RMB5.0 billion, in which the Bank holds a 100% stake. Its business scope is: absorbing deposits from the public, individuals and MSEs mainly; providing short, medium and long-term loans mainly to individuals and MSEs; domestic and foreign settlement through electronic channels; electronic bill acceptance and discount; issuing financial bonds; buying and selling government bonds and financial bonds; interbank lending; buying and selling foreign exchange by itself or as an agent; bank card business; agency collection and payment of funds and bancassurance; other businesses approved by the banking regulatory authority of the State Council. As at the end of the reporting period, YOU+ BANK had total assets of RMB7,022 million and net assets of RMB4,838 million. During the reporting period, it realized operating income of RMB101 million and recorded a net loss of RMB162 million.

YOU+ BANK proactively fulfilled its social responsibilities of serving rural revitalization and the real economy, and adhered to its original aspiration of promoting inclusive finance and its role as a test field for transformation. It upheld the business principle of ensuring steady development in the long run, and committed itself to exploring a new development path of digital inclusive finance. Since its commencement of business on June 30, 2022, YOU+ BANK had adhered to "coordination, connectivity and innovation" as its development strategy, strengthened Party leadership in improving its corporate governance, and embraced the concept of openness in building scenarios and developing the ecosystem. It enhanced coordinated development, and adopted a differentiated development approach to empower the channels and customer group management, with considerable progress made in all its businesses. As at the end of the reporting period, YOU+ BANK had more than 3.65 million registered users on its mobile banking app, and registered an AUM of RMB6.5 billion, getting off to a steady start in business.

It proactively developed a scenario-based financial ecosystem. It leveraged FinTech innovation to provide a package of tailored financial services for industries, government affairs, people's well-being and other scenarios, developing an ecosystem to acquire and activate customers. It launched trials on SMEs service platform and fund witness business, and explored ways to provide comprehensive financial solutions for micro and small merchants, supply chains and other scenarios. Focusing on establishing a rural credit system and facilitating the creditworthy village/household and digital rural development initiative, it launched the "YOU+ Villages" management platform, incorporating comprehensive digital financial services into the rural governance scenario, with pilots launched in 20 provinces and cities including Shaanxi, Guizhou, Guangdong and Guangxi.

It consolidated efforts to develop its product and service system. YOU+ BANK promoted open accounts in the rural market, and took prudent steps to launch trials of inclusive credit products. In addition to the Sinochem Agricultural Suppliers Loan and Sinochem Distribution Loan, it launched the Procurement Loan for core distributors along the industrial chain, and the YOU+ Speedy Loan for new urban residents, MSE owners, self-employed individuals and similar market entities. As of the end of the reporting period, YOU+ BANK had extended more than RMB100 million loans on a cumulative basis. It continued to enrich the products in the "Wealth Management Supermarket". As at the end of the reporting period, YOU+ BANK had cooperated with more than 10 wealth management subsidiaries, and launched nearly 100 products from star product series of wealth management subsidiaries.



Scan to download the YOU+ BANK app

Adhering to IT empowerment, YOU+ BANK promoted systematic development of IT systems, explored the "dual-line" agile R&D management system integrating business and technology, and took into account the flexibility of rapid product launch and the stability in the launch of multiple system functions. In 2022, the Bank completed and launched 13 key business systems, completed the multi-dimensional security design and reinforcement of systems, and no security incidents occurred. It strengthened the development of an intelligent risk control system based on big data, developed customized credit and anti-fraud strategies based on customer group portraits and big data analysis, improved the accuracy in identifying high-risk customer groups, and supported steady development of business. Centering on customer needs, YOU+ BANK upgraded the risk control system and continuously optimized user experience.

Putting people first, YOU+ BANK focused on building professional teams and cultivating young talents. As at the end of the reporting period, there were 440 employees at YOU+ BANK. Nearly 50% of them held a master's degree or above, and nearly 60% of them were IT or data personnel. The talent echelon had been further improved, and the team's professional competency continued to be improved.

In the future, YOU+ BANK will take advantage of abundant resources of its shareholder to promote featured digital development and enhance market-oriented and specialized operations. It will strengthen empowerment of the FinTech system, improve the quality and efficiency of comprehensive business operation, and effectively fulfill its mission of "serving Sannong customers, facilitating micro and small businesses, and delivering benefits to the general public".

PSBC Wealth Management

PSBC Wealth Management Co., Ltd. was established on December 18, 2019, with a registered capital of RMB8 billion, in which the Bank holds a 100% stake. Its business scope is: public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services; and other businesses approved by the CBIRC. As at the end of the reporting period, PSBC Wealth Management Co., Ltd. had total assets of RMB12,263 million and net assets of RMB11,725 million. During the reporting period, it realized operating income of RMB2,004 million and recorded a net profit of RMB1,271 million.

The year 2022 is the first year of the formal implementation of the new rules on asset management. PSBC Wealth Management adhered to high standards, continued to benchmark with outstanding mutual funds and wealth management companies, and built a high-standard market-based system. It applied systems thinking to promote product transition, business reshaping and system reengineering, completed the priority target of business transformation by adhering to the business principles of "stabilizing growth, promoting reform, controlling risks, enhancing capability and pursuing high-quality development with high standards", and opened new ground for standardized, specialized and market-oriented wealth management business. As at the end of the reporting period, despite the sharp decline of the industry due to extreme market volatility, the net-value products of PSBC Wealth Management achieved a positive growth of RMB12,006 million over the prior year-end. The total product value amounted to nearly RMB1 trillion at the peak, with net-value products at the peak increasing by 22.46% over the prior year-end. The share of NAV-based products reached 93.93%, up more than 10 percentage points from the prior year-end, leading the industry in terms of growth rate. It reduced old products by more than RMB100 billion within the year, and carried out rectification of cash management products in an orderly manner to meet regulatory requirements.

Being political-conscious and people-oriented, PSBC Wealth Management firmly implemented national strategies, and improved the quality and efficiency of serving the real economy by increasing the allocation of major asset categories. The total new investments in bonds amounted to RMB1,064,693 million for the year. It enhanced equity investment and realized direct investment in stocks. The private placement in equity assets increased by 73.01% over the prior year-end, and the unrealized profit of equity projects listed on the STAR Market exceeded 70%. PSBC Wealth Management closely followed national key strategic priorities, promoted green finance, launched the first ESG theme product, and released the STOXX PSBC China A ESG Index. It also supported new energy vehicles, biomedicine, telecommunications and other industries that are important to the economy and people's lives, providing more than RMB150.0 billion loans on an accumulative basis. It actively participated in public REITs, and acquired strategic investment shares in 4 public REIT programs including ChinaAMC-CCCC Expressway. Committed to serving the people, PSBC Wealth Management promoted inclusive finance, and had created more than RMB70.0 billion of value for customers since its establishment.

Prior to the recent fluctuation in the bond market, more than 30% of its products were among the top 20% best-performing products in the industry in terms of yield, forming a prudent style of strict control on drawdown and low volatility. In order to promote pension finance, it took the lead to launch pension wealth management products among the second batch of pilot institutions, completed RMB5.0 billion of fundraising ahead of schedule, and was selected as the first batch of institutions with its products entering the list of personal pension financial products. It targeted at customer needs, and realized a high degree of match with the liability side through effective management of asset standards, maturities and evaluation methods of different products. It improved customer experience, and launched wealth management functions on the new-generation mobile banking, with 700 thousand followers of the WeChat official account, and over 560 thousand views of the promotional videos. Importance was attached to customer companion. During the market volatility, it organized more than 30 training sessions for wealth advisors, initiated the communication to customers for 5 consecutive times, and responded to customer needs through morning sessions or WeChat official account, so as to boost market confidence.

It insisted on building leadership by specialized expertise, and made solid steps in pursuing high-quality development. Efforts were made to improve product quality, quantity and distinctiveness. PSBC Wealth Management established the "Zhong You Hong" system of net-value products featuring "inclusive + wealth + pension", and developed a featured product brand according to the preferences of the Bank's primary customer groups while taking into account the needs of other customers. In addition to the regular issuance of themed products to benefit farmers and exclusive products for private banking customers, it made innovations on issuing regional-specific products and exclusive products for the wealth management festival. In 2022, a total of 202 products were launched, among which 19 were products with value over RMB5 billion. Key products and institutional wealth management products increased by more than RMB120.0 billion and RMB32,725 million in scale over the prior year-end, respectively, leading the market in terms of the increment. The Company and its products were awarded the Golden Bull Award for innovation by bank-owned wealth management companies, Golden Bull Award for bank wealth management products, etc. PSBC Wealth Management adopted the omni-channel development pattern of "parent Bank + PSBC Wealth Management + other banks", and established channel-based service model for retail banking business in low-tier markets. The total number of personal customers exceeded 9.83 million, up 19.39% over the prior year-end. In terms of institutional banking, it adopted a service mechanism for strategic customers, and increased the number of corporate customers by 4,761 over the prior year-end. Breakthrough was made in third-party agency sales business, with a total of 10 agency sale agreements signed in 2022.

It adhered to reform and innovation and enabled momentum of development to continue. A market-leading investment research system was established for mutual funds. Adhering to the investment concept of "multi-asset, multi-strategy, low-volatility", PSBC Wealth Management accelerated investment in diversified categories, implemented accountability policy for investment managers, and continuously improved its specialized investment research capabilities. It also developed a market-leading high-standard internal risk control framework, implemented a product-centered investment risk management system and the "quantitative and quantitative" risk management system, and effectively increased its intelligent risk management capability. Moreover, it established the first performance evaluation attribution system, and developed a standardized net-value development path to boost the asset management business. It took the lead in industry legislation, and promoted the implementation of new regulations on internal control. Based on its stable, efficient and intensive operation support system, it developed a lifecycle centralized operation system for product operation, product valuation and information disclosure. As a result, it ranked among the best-performing asset management institutions in terms of transaction volume for three consecutive years. With IT planning based on "digital and intelligent integration", it promoted the transformation of the specialized asset management team, strengthened empowerment in different ends, and fully completed online migration of its businesses, with new breakthroughs made in digitalization. It improved the high-standard, market-oriented mechanism, and advanced the reform of personnel mechanism under which officials can be promoted or demoted, employees can be employed or fired, and compensation can be increased or reduced. It introduced the rank of managing director (MD), and by benchmark industry practice, implemented a remuneration reform to benefit all employees and focus on performance and results, which won support among the employees.

The third anniversary of PSBC Wealth Management

Three years of hard work brings you good fortune.

Green world better life

Column

Comprehensive Planning of Pension Finance in Response to National Policies

In February 2022, the CBIRC issued the Notice on Expanding the Pilot Scope of Pension Wealth Management Products, under which 6 bank-owned wealth management companies including PSBC Wealth Management were listed as new pilot institutions for pension wealth management business. Since then, the Bank and PSBC Wealth Management fully implemented regulatory requirements in a prompt and well-coordinated way, energetically promoted product design and introduction, investment management, risk control, management rules, business operation and technology support, and accelerated the research and development of pension wealth management products.

PSBC Wealth Management followed four principles in the research and development of pension wealth management products, specifically: First, adhering to the concept of long-term investment and value investment. The lock-up period of products shall be no shorter than 5 years, an investment approach that focuses on seeking long-term gains despite potential short-term market volatility. Second, adopting a sensible and prudent asset allocation strategy, which pursues steady asset growth under the premise of controllable risks. Third, maintaining a prudent risk appetite. A multi-tier risk protection mechanism with risk reserves and income smoothing funds was established to ensure steady product operation and greater risk resilience. Fourth, enhancing investor protection. Efforts were made to strengthen sales management and information disclosure, so as to help investors manage expectations and strike a balance between "caveat venditor" and "caveat emptor".

Relying on resource endowments to build a multi-tier pension system

In August 2022, in response to the national policy on the pilot program of pension wealth management, PSBC Wealth Management launched two closed-end pension wealth management products under the product series of "Tianyi • Hongjin", which raised RMB5.0 billion ahead of schedule, and was well received by the market. As a major state-owned commercial bank with nearly 40 thousand outlets and over 650 million personal customers, PSBC launched pension wealth management products, further enriched the pension financial services and extended them to more people. Relying on the resource endowments of China Post Group and the Bank, PSBC Wealth Management embraced the concept of inclusive finance, provided innovative products and services for different customer groups, and developed an "inclusive + wealth + pension" product system with fixed-income products as the core, cash management as the support, and mixed equity as the highlight, and a yield of 3-7%. Furthermore, it adopted strict drawdown restrictions and low volatility strategies to meet the needs of elderly customers, and created more than RMB70.0 billion value for its customers on a cumulative basis, building an excellent brand reputation among customers.

Meeting customer needs for pension services to promote high-quality economic development

In November 2022, the CBIRC issued the Notice on Printing and Distributing the Interim Measures for the Administration of Personal Pension Business of Commercial Banks and Wealth Management Companies, under which PSBC and PSBC Wealth Management were among the first to obtain the license for conducting personal pension business. In February 2023, PSBC Wealth Management launched two open-end personal pension wealth management products under the "Tianyi • Hongjin" series, which were selected as the first batch of personal pension wealth management products. As one of the first banks licensed to conduct personal pension wealth management business in 36 pilot cities or regions across China, PSBC provided customers with comprehensive pension investment services including account opening, fund investment and wealth management.

Next, PSBC will fully implement the strategic decisions of the 14th Five-Year Plan on pursuing a national strategy in active response to population aging and developing a better multi-tiered social security system, fulfil its responsibility of supporting key national strategies and serving the people. It will dedicate more efforts into exploring the blue-ocean market of pension finance, and tap new sources of growth. With such efforts, PSBC will secure a smooth start and healthy development of the personal pension business.

PSBC Consumer Finance

PSBC Consumer Finance Co., Ltd. was established on November 19, 2015, with a registered capital of RMB3 billion, in which the Bank holds a 70.50% stake. Its business scope is: granting personal consumer loans; accepting deposits from shareholders' domestic subsidiaries and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank funding; advisory and agency services related to consumer finance; agency sales of insurance products related to consumer finance; investment in fixed income securities; asset securitization business; other businesses approved by banking regulators. As at the end of the reporting period, PSBC Consumer Finance Co., Ltd. had total assets of RMB49,553 million and net assets of RMB5,387 million. During the reporting period, it realized operating income of RMB6,048 million and recorded a net profit of RMB443 million.

It actively fulfilled its social responsibilities. In 2022, PSBC Consumer Finance implemented financial relief policies to ease the difficulties of 30 thousand customers, including special interest and fee reduction, repayment deferral, credit support program and mediation service. A total of approximately RMB84.89 million of interest and fees were reduced or exempted to help customers weather the difficult period. It continued to cut loan interest rates. The price of loans fell by 1.55 percentage points from a year ago. With such efforts, it further implemented the inclusive finance strategy and improved the availability of consumer finance. It produced and launched 68 short videos with the theme of "sensible consumption" and "consumer protection", collecting more than 300 thousand likes accumulatively on its Tiktok account and 100 thousand likes accumulatively on its WechatVideo account. It established a consumer reception day mechanism, under which management members receive consumers on a regular basis to remove obstacles in communication channels, thus improving the dispute resolution and providing better protection of legitimate rights and interests of consumers.

It continuously promoted business transformation. PSBC Consumer Finance adjusted its risk strategies from time to time to cope with market changes. Firstly, it optimized the structure of channels to expand offline business in directly-operated outlets. With breakthroughs in the offline channels, the company forcefully advanced the implementation of an integrated development strategy with online and offline channels as the two-wheel drive, which became a new growth driver for business. Secondly, it intensified efforts to expand high-value customer groups. PSBC Consumer Finance concentrated its resources to develop high-value customers, and adopted the model of "scenarios plus data" to expand business and ensure high-value development. Thirdly, it promoted steady reduction on interest rates. In accordance with regulatory requirements, PSBC Consumer Finance continued to reduce loan interest rates to benefit consumers and put into action the inclusive finance concept, yielding positive results.

It continuously improved the risk management system. Firstly, PSBC Consumer Finance tracked changes in domestic and overseas economic environment, strengthened risk monitoring and early warning, and improved its capability to prevent credit risk and fraud risk. Secondly, it kept refining the risk policy system. It optimized the risk control rules, reorganized customer segmentation, product access, limits and withdrawal policies, which effectively improved customer conversion. Thirdly, it improved the effectiveness of risk modeling. It developed 37 models on a cumulative basis and 8 customized ratings, and the KS value of models improved by 11% year on year. It introduced 9 external credit ratings, with 7,000 derived variables and 360 library tags, which greatly improved its risk identification capability.

It promoted digital transformation on all fronts. In the course of comprehensive digital transformation, PSBC Consumer Finance promoted the evolution of technology from a "supporting" role to an "empowering" factor for integrating products and services internally and connecting with partners and users externally. First, it empowered front-end business. It upgraded the channels and platforms to support the standardized cooperation with traffic attraction channels and second-tier platforms, as well as to track and monitor the effect of advertising. Second, it promoted the capacity building of the middle office. It achieved real-time data collection and update, built feature calculation and tag calculation engines, refined the tag library, variable management and strategy analysis platform, and improved the comprehensive capability of "data acquisition, storage, calculation, use and management" at the data middle office. Third, it strengthened information security management to ensure the stable operation of the system. It explored and piloted the hybrid cloud solution, established an operation and maintenance (O&M) database, and designed O&M architectures and data models. It carried out the certification for the ISO27001 information security management systems (ISMS), and achieved the goal of "zero network security accident".

PSBC Consumer Finance launched the brand IP image – "Niu YOU Guo".

"Sports", photo by Lu Zhenjian, PSBC Suzhou Branch in Anhui Province

Financial Technology

The Bank followed the guidance of its IT Planning for the 14th Five-Year Plan period, further promoted the implementation of the "SPEED" IT strategy featuring smart, platform, experience, ecosystem and digitalization, strengthened technology-driven capacity building, accelerated FinTech-empowered business development, and provided technological support for the digital transformation of the Bank.

IT investment amounted to RMB **10,652** million, representing a year-on-year increase of **6.20**% and accounting for **3.18**% of its operating income.

The mobile banking app **8.0** was launched with a brand new look.

The new generation core system for personal banking business was accomplished in full.

The first phase of the new generation core system for corporate banking business was successfully put into operation.

Green world better life

Column

Integrating FinTech Strategies into "PSBC Brain" to Promote Bank-wide Development

Taking digital transformation as a key strategic move in promoting its transformation and development, PSBC explored ways that suit PSBC's conditions, moved forward with exploration, and developed amid transformation. A 1-2-3-4-5-6 strategic layout for digital transformation was planned to vigorously promote the development of a "digital ecosystem bank".

The Bank took advantage of its outlets and professional teams, strengthened online and offline integration and the combination of intelligent and manual services, and built a "Head Office-branch cooperation matrix" to promote digital transformation with vertical management, horizontal collaboration and multi-party participation. The Bank's 36 tier-1 branches actively participated in the digital transformation projects of local governments and leading enterprises, gave full play to regional characteristics and tapped regional potentials and provided digital financial services with a human touch.

1-2-3-4-5-6 Strategic Layout for Digital Transformation

FinTech Development

IT Team Building

The Bank continued to increase its tech headcount. Through regular recruitment, the IT headcount of the Head Office increased to 4,294, and that number exceeded 6,300 across the Bank. Efforts were made to improve employees' professional capability. A total of 143 youth talents and backbone talents were selected to create a three-level talent echelon of "youth, backbone and leader". A performance-based salary allocation system was adopted to stimulate the enthusiasm and creativity of employees. The Bank explored the possibility of establishing cross-functional teams at branches, taking the transaction banking business as a pilot. Technical personnel were selected from six branches including Beijing Branch to serve as pre-sales engineers in the transaction banking departments of tier-1 branches, where both technical and business personnel participated in marketing and project implementation, effectively supporting the business innovation, transformation and development of the branches.

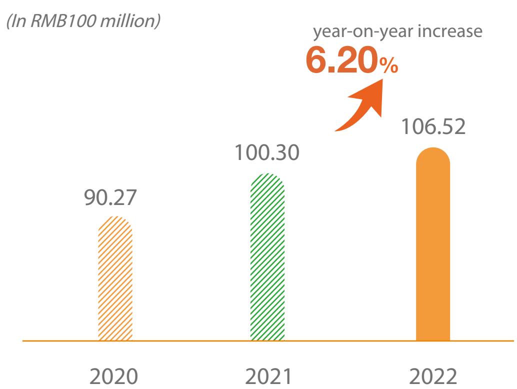
IT Development

The Bank made every effort to expedite the development of IT projects with a focus on four "new generation" systems, ten major programs and 100 key projects, cemented the foundation for the enterprise-level sharing platform, promoted agile R&D in depth, and explored three agile project management models including the dispatch model, the embedding model and the project-based model, and accelerated the Bank-wide digital transformation. During the reporting period, 330 IT projects were put into operation, which effectively empowered financial services with intelligent technology, cut service costs and improved customer experience.

Enhanced Independence and Controllability

The Bank continued to optimize the R&D process and procedures, realized the full application of DevOps (integrated development, operation and maintenance) toolchain in agile projects and independent R&D projects, achieved the integration of the whole process of requirements, design, development, testing, operation and maintenance as well as integrated support, and comprehensively improved quality and efficiency of system development. The Bank vigorously strengthened professional testing capacity, independently programmed software testing to develop the "Starlight Plan", passed the TMMi (Test Maturity Model Integration) Level 4 certification, independently developed the intelligent testing "Star Platform", and built an industry-leading DevOps continuous testing platform.

IT Investment



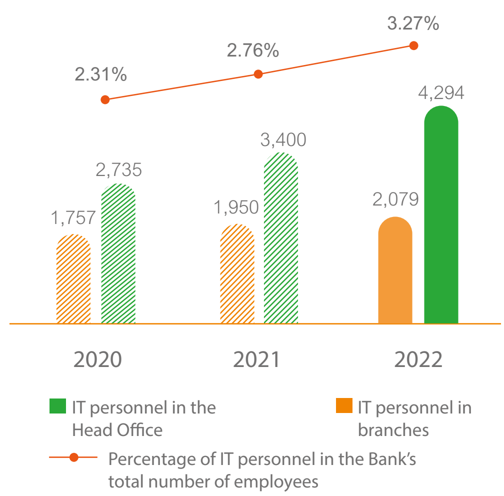
With the worst-case scenario in mind, the Bank promoted the implementation of the cybersecurity plan, strengthened the protection of key IT infrastructure, optimized technical defense measures, and enhanced cybersecurity scrutiny and prediction. To ensure safe operation of information systems, the Bank carried out special emergency drills, and continued to improve the ability to deal with emergencies. The Bank's "Practice of Management of the efficiency of developing DevSecOps for Digital Transformation" won the 2022 Outstanding Contribution Award for Information Security in the Financial Industry.

The Bank accelerated the automated operation and maintenance capacity building, put into operation four basic operation and maintenance platforms, i.e., unified monitoring, application monitoring, integrated operation and maintenance, and security management platforms, which greatly improved its automated operation and maintenance capabilities and ensured a high level of business continuity.

The Bank continued to develop cloud standards, improved the functions of the cloud management platform, promoted the development of cloud containers and application microservices, and established a cloud-based operation, maintenance and management system. As at the end of the reporting period, a total of 213 systems were deployed on the private cloud platform, including self-service banking, POS business, international payment, etc. The daily transaction volume of the cloud platform reached 597 million, accounting for 93.90% of the total transaction volume. Cloud technology applications continued to maintain a leading position in the industry.

The Bank strengthened intellectual property protection, and had made a total of 124 patent applications since the launch of the new generation core system for personal banking business. The Bank's "New Generation Distributed Core System", "Standardized Quality Management System of New Generation Core System for Personal Banking Business" and "Full-stack Financial Cloud Platform Based on Feiteng CPU" won the 2022 Outstanding Contribution Award for Digital Transformation in the Financial Industry.

Number and Percentage of IT Personnel

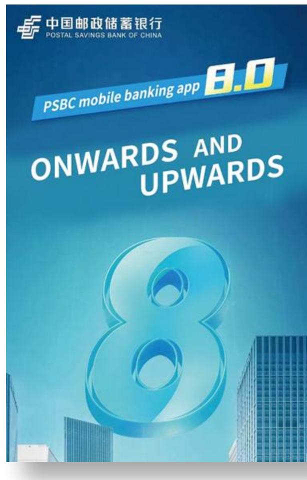


Column

Strengthening Core Systems with FinTech to Give Impetus to Development and Service Innovation

Innovating personal banking

The mobile banking app 8.0 was launched with the brand new architecture, designs and interactive functions to provide brand new customers experience. It provides multiple versions for the young people, Sannong customers, as well as a large-font interface for elderly customers. It offers inquiry of account details for the past eight years and local services through the city channels. With such efforts, the Bank continued to break down boundaries of industry innovation to provide users with safer, more convenient, more efficient, smarter and more thoughtful mobile banking services.



With the **new generation core system for personal banking business**, the Bank was the first large bank to adopt a next generation core system with both enterprise-class business models and a distributed microservice architecture. Firmly upholding the customer-centric philosophy, the Bank optimized the business process, reduced the transaction duration, strengthened risk control, and accelerated agile development, providing speedy response and supreme service experience. The system can process up to 67,000 transactions per second at peak time, which can satisfy the business development needs of the Bank for the next 10 years. On November 28, 2022, all the 650 million customers were migrated to the new generation core system for personal banking business, marking a successful completion of system development.

All performance indicators were significantly improved

Average time for counter transactions reduced by	155 ms	76 ms	51%
Average time for system connection reduced by	93 ms	65 ms	30%
System peak load TPS increased by	16,000 tps	67,000 tps	319%
Length of time for Day End Processing reduced by	273 mins	197 mins	28%
Total length of time for interest settlement reduced by	140 mins	25 mins	82%

Enterprise-level modeling Componentization
Distributed system Seamless migration

650 million customers | 1.8 billion accounts | Nearly 40,000 outlets

Seamless switch Phased launch
Supporting high-quality development of PSBC in the next ten years

Empowering business development on all fronts

Flexible configuration and speedy response

- The Bank developed a "building block-like" asset library, which supports the rapid assembly and flexible configuration of differentiated products, prices and processes, reduces code development workload, shortens the time for new product launch, and drives business agility with technical agility.
- Since its launch in April 2022, the Bank has issued more than 90 certificates of deposit, 19 types of debit cards with branch features and key debit cards at the Head Office.

"Building block-like" asset library: Nearly 5,000

Fast product assembly: Over two weeks shortened to T+1 day

Flexible pricing: System upgrade → parametric configuration; Simple configuration → multi-dimensional configuration

Improved efficiency and better experience

- A new front-desk interface was adopted at outlets, which optimized the handling process, reduced manual dependence, improved processing efficiency, and shortened the processing time for customers.
- Thanks to the mobile banking app 8.0, the Bank expanded the inquiry range to meet customers' inquiry needs for a long-term time frame.

Number of counter-based transactions: 465 optimized to 336

Number of high-value transactions: 68 optimized to 9

International remittance Transaction time reduced by 50%

Access points for counter transactions: 3 integrated into 1

Entry fields for outbound international remittance: 50 reduced to 20

Number of screen shift for international remittance transaction: 5 reduced to 1

Green world better life

Empowering Corporate Banking

On December 17, 2022, the first batch of **new generation core system for corporate banking business** was successfully put into operation, which strengthened the integration of customers, products and channels, optimized business process and service models, and enhanced the Bank's core competitiveness in corporate banking.

A new corporate mobile banking app was also launched, with a standard version, an MSE version, etc. to meet diversified needs of different customer groups. It provides various functions such as USB security key-free transactions, smart transfer, all-online inclusive loans and integrated workbench, and introduces financial services scenarios in a broad sense, which includes financial management and industrial & commercial information services, effectively promoting the digital transformation of corporate banking business.

Strengthening Inclusive Finance

The Bank **optimized the credit business platform** and adopted an innovative development model of "atomic capability pool plus business scenario orchestration". It responded quickly to the market trends, and developed featured regional businesses to meet diverse credit needs of MSEs and individuals, remove obstacles in the financing channels and build up new development momentum.

The Bank **strengthened the digital support by mobile business terminals** to provide one-stop financial services for customers, and enabled online, standardized, intensive, paperless and intelligent processing for micro loan business. The outstanding online MSE loans of the Bank amounted to RMB1.12 trillion.

Serving Rural Revitalization

The Bank **optimized the open bill payment platform**, developed NFC payment for themed cards, explored the county-level payment market for rural revitalization, and promoted the interconnectivity between the payment platform and PSBC e-commerce channels, "Agro-Connect" and other service terminals, thus enriching the online and offline payment channels and facilitating the digital transformation of rural finance.

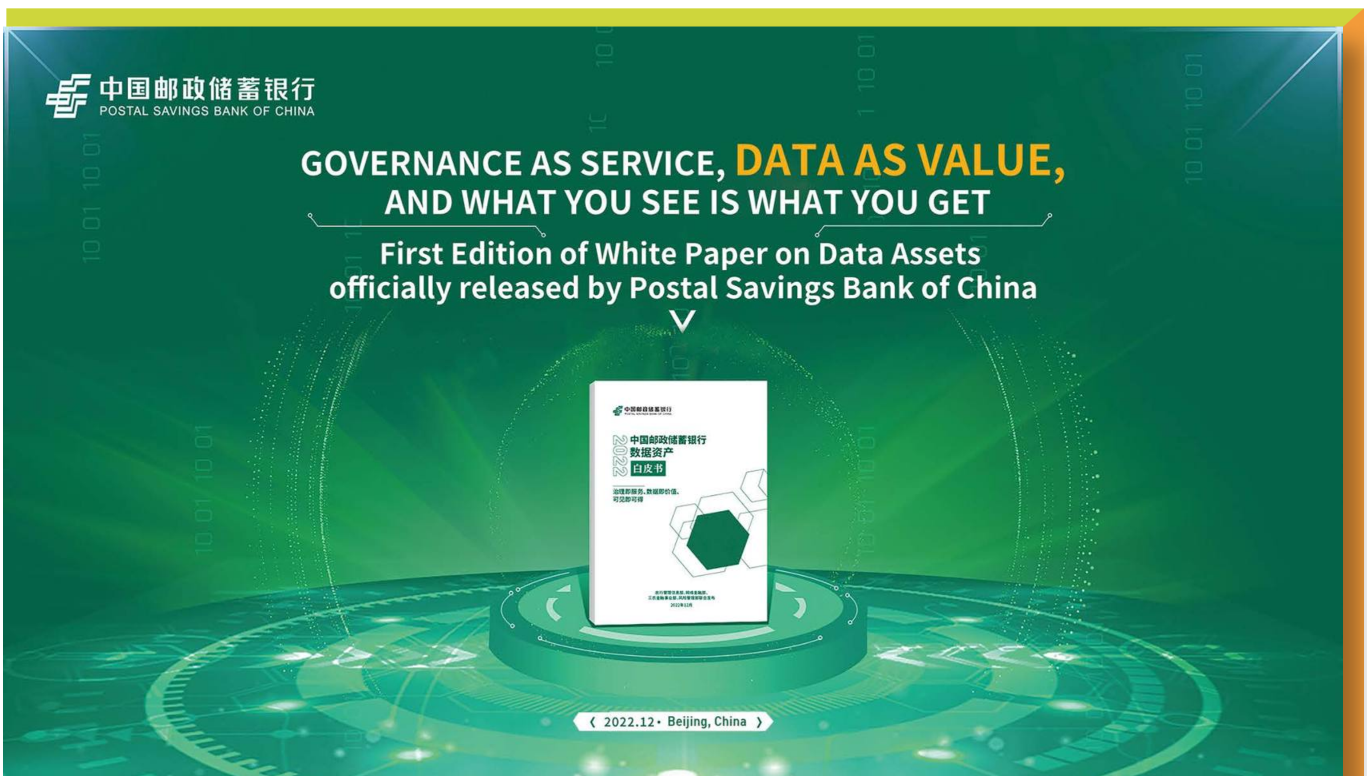
As part of its efforts to **develop an open service platform**, the Bank established an open and diversified scenario-based ecosystem platform with API and H5 technology, supporting more than 100 scenarios of cooperative institutions, with an average daily usage of more than 2.4 million, empowering the "Smart Rubber Platform" of Hainan Branch, the "Jiangxi Service Connect" of Jiangxi Branch, the "PSBC Pay" of Jiangsu Branch and other featured regional projects, covering education, medical services, e-commerce, travel, transportation and other industries, and boosting the comprehensive development of the real economy.

Enhancing Data Capability

Following the trend of data assetization, the Bank released the first edition of a white paper on data assets with the theme of "Governance As Service, Data As Value, And What You See Is What You Get", which listed more than 100,000 data assets of the Bank, and provided a comprehensive summary of data analysis models, indicators, tags, services and other achievements from data assets. It also focused on key business areas such as rural revitalization, online finance and risk management to provide data asset services and facilitate business development. The Bank successfully held the Third Data Modeling Competition to strengthen the communication and exchange between big data talents. A total of 1,664 people in 314 teams signed up for the event, and 66 high-quality big data applications were selected, which strengthened the Bank's data assets depository and boosted the development of digital transformation.

Concentrating on the integration and convergence of data, the Bank has realized the unified ingestion, storage and process of data resources through the big data platform and has ingested and integrated 146 business systems of the Bank. To promote precision marketing based on big data, the Bank released, through customer data mart, more than 1,600 retail customer tags and nearly 400 corporate customer tags in the fields of customer group characteristics, product holdings, transaction characteristics, etc. Based on capacity building and scenario support, the Bank optimized users' interaction experience in the data middle platform, and launched more than 200 data services including personalized user interface for mobile banking app and the Chinese zodiac card marketing campaign, supporting nine scenarios such as marketing management and customer analysis. The Bank deployed more than 8,000 analysis models and rules, and greatly improved the efficacy of customer identification, intensive operation, risk prevention and control, etc., increasing the response and conversion rate of the consumer credit business by 10 times and reducing the labor cost of marketing by 50%.

The Bank attached great importance to data security management. In accordance with relevant laws and regulations including the Data Security Law of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China, it promoted the security grading of core data assets on all fronts, strengthened the lifecycle data security management and control, sped up the cultivation of a strong data security culture, and consolidated the defense line for data security. At the same time, the Bank built a enterprise-level Secure Multi-party Computing Platform, and promoted the application of secure multi-party computing and privacy computing technology to ensure data availability and invisibility, as well as to comply with laws and regulations in the collaborative application of internal and external data.



Green world better life

Column

Strengthening Data Empowerment to Unleash Vitality and Promote Data Application

A tiered, multi-channel and all-round data application and service system was developed to facilitate the Bank’s strategic business development and release the driving capacity of big data.

Accumulating relevant data from multiple sources involving agriculture, rural areas, and farmers, so as to facilitate rural revitalization empowered by big data. With the goal of empowering the digital transformation of finance related to agriculture, rural areas and farmers, and taking into account the characteristics of financial data related to agriculture, rural areas and farmers, and following the idea of "data + scenario + service + operation", the Bank developed a comprehensive data service system, which included data integration, model construction, service output, and achievement operation. The Bank accelerated the development of the rural credit system. As at the end of the reporting period, the Bank built 383.5 thousand creditworthy villages and rated more than 10 million creditworthy households. In addition, the Bank developed the “rural financial service portrait” data product, generating accurate portraits of 460 thousand villages to show “all aspects of rural areas” and fill our knowledge gap in rural development. At present, the number of registered users of the “rural financial service portrait” data product has exceeded 8,000, mainly business personnel serving rural revitalization at all levels of the postal and banking sectors.

Developing special segments and working closely with strategic customers. Focusing on the national key strategic areas and the Bank’s trending and core businesses, and relying on the management cockpit and data dashboard App, the Bank created eight featured segments, including “railway industry ecosystem”, “local government bond marketing”, “branches in key cities”, and “cooperation between the Bank and China Post Group”, so as to demonstrate the progress in key projects and the growth of key indicators in the Bank, help business departments achieve refined supervision and precision marketing, and provide technical support and services for senior management members to learn about the Bank’s business development. Among them, the “railway industry ecosystem” was mainly developed for China State Railway Group Co., Ltd., a strategic Head-Office-level customer, to demonstrate the growth of key indicators of the Bank’s marketing projects in the railway industry, such as the Sichuan-Tibet railway and Nanchang-Jiujiang high-speed railway, so as to facilitate real-time follow-up of project marketing results and effectively promote business development.

Promoting fraud modeling against telecom and cyber fraud. The Bank fully complied with China’s requirements for combating money laundering and fraud, and effectively ensured the security of customers’ funds. It reviewed and optimized the rule models to improve the efficiency of rule model recognition. By summarizing the characteristics of fraud cases, the Bank used machine learning models to identify fraud gangs and fraud transactions, and the hit rate of the accounts involved was 54 times that of the traditional identification model.

Application of New Technologies

Artificial Intelligence (AI)

Relying on PSBC Brain, the Bank continued to promote the building of "three platforms and capabilities in six aspects", and leveraged its technology innovation capabilities to give full play to the role of innovation as the engine for promoting business development.

Pursuing more intelligent business operation. The PSBC Brain Machine Learning Platform creates a deployment environment for OCR recognition, and provides prediction services for 16 projects such as cost reimbursement, new generation human resources system, and legal affairs system. The biometric recognition technology has been applied in more than 30 internal and external systems, providing multiple functions such as face recognition, voiceprint recognition, liveness detection, image detection, etc., supporting 180 plus business scenarios such as cash withdrawal with face recognition, loan application and large value transfer, and delivering 60.60 million services per month on average. The intelligent image technology has been applied in 18 projects such as the credit business platform and more than 20 scenarios such as Speedy Loan, You Xiang Loan, business expansion by mobile business terminals, etc., providing certificate recognition services for 15 types of generic certificates such as IOUs and marriage certificates, and performing OCR text recognition for nearly 340,000 transactions and nearly 30,000 intelligent audits per day.

Facilitating intelligent credit business operation. The PSBC Brain Machine Learning Platform has trained and developed more than 300 intelligent models involving credit extension, rating, early warning, limit and other credit-related scenarios to help improve the efficiency of online credit approval. Accordingly, the length of time for decision-making and processing of automated approval has been reduced from 5 minutes to less than 10 seconds. The biometric recognition system facilitates online financial businesses such as Speedy Loan, and enables the complete online migration of the micro loan business through online-offline integration.

Developing an intelligent risk management system. The knowledge graph system offers a new data perspective by means of multimodal knowledge fusion and deep relationship mining, providing a decision-making basis for risk management, customer relationship and other fields. During the reporting period, the Bank tracked relationship among more than 1 million cards/accounts, created an enterprise-level business graph with over 4 billion nodes and over 3.6 billion relationships, and delivered more than 40 million risk analysis and assessment results. The biometric recognition system strengthened the ability of face recognition and liveness detection algorithms, and has been fully applied in mobile banking, e-CNY and other important systems of the Bank, effectively improving the anti-attack capability of identity verification, and securing electronic transactions across the Bank.

Improving user experience inside and outside the Bank. The intelligent language and speech system supported eight business scenarios, namely online customer services, voice broadcast, voice input, fuzzy search, offline inspection, intelligent outbound call, customer service assistant and training partner robot. For customers, the Bank provided access to business services anytime, anywhere and effective information alerts in an instant manner, with an average of 184,000 daily service calls and a success rate of nearly 100%. For internal users, the Bank provided comprehensive intelligent management support including ex-ante training, interim assistance and ex-post inspection to improve the Bank's service efficiency and quality. The intelligent outbound call technology has been applied in post-lending repayment reminder, proactive credit extension, identity verification, satisfaction survey and other scenarios. As at the end of the reporting period, the Bank approached a total of 30.53 million potential customers accumulatively through intelligent outbound calls. The accuracy of speech-to-text processing and semantic recognition was higher than 90%, which effectively reduced labor costs and improved operational efficiency. In terms of call center services, the Bank has achieved 100% intelligent inspection of call center services in the "two centers in three locations" of the Bank by using NLP (natural language processing) technologies such as speech recognition and semantic understanding, continuously improving the Bank's customer service quality and service image.

Blockchain

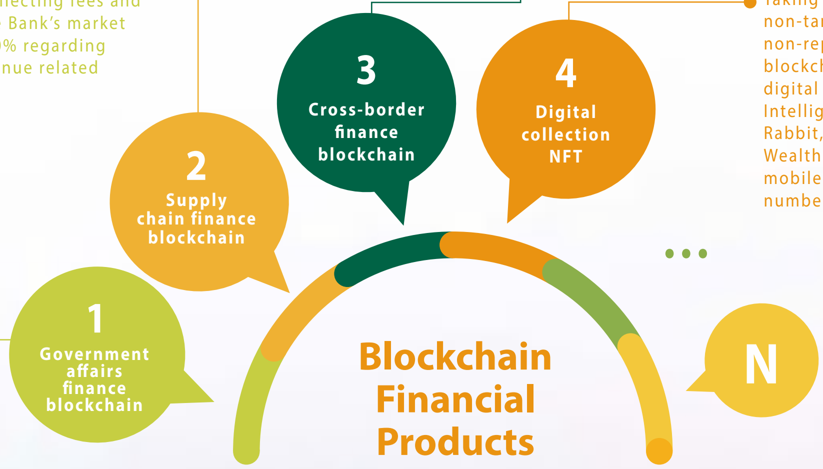
The Bank promoted the scenario-based application of blockchain and the integration of finance and technology, and formed a "1 plus N" blockchain ecosystem integrating technology and business scenarios.

A total of 4.91 million e-bills with a face value of RMB37.7 billion were uploaded to the blockchain of non-tax e-bills in Xiongan New Area on an accumulative basis, and the balance of non-tax accounts amounted to RMB384 million. The bill users included 430 agencies responsible for collecting fees and taxpayers, and the Bank's market share exceeded 90% regarding non-tax fiscal revenue related business.

In the U-chain supply chain system, the time for loan disbursement has been significantly reduced from "T+7 days" to "T+2 hours", benefiting more than 800 SMEs, with a cumulative loan amount of RMB28,830 million.

The accounts receivable registered in the cross-border finance blockchain system amounted to RMB12.7 billion.

Taking advantage of the non-tamperable and non-replaceable features of the blockchain, the Bank issued digital collections such as Intelligence Rabbit, Diligence Rabbit, Revitalization Rabbit and Wealth Rabbit in batches on mobile banking 8.0, with a total number of about 100,000.



Distribution Channels

Through physical outlets covering urban and rural areas, efficient and convenient e-banking channels and remote service channels, the Bank provides customers with high-quality products and satisfactory services. The Bank focused on strengthening the capabilities of network efficiency, digital acquisition of customer, intensive operation, customer experience and scenario building, so as to continuously improve the level of channel transformation and development.

Physical Distribution Channels

As at the end of the reporting period, the Bank had a total of 39,533 outlets, including 7,777 directly-operated outlets and 31,756 agency outlets. Further implementing the philosophy of providing inclusive financial services, the Bank increased outlets and set up 1,784 outlets in key counties receiving government assistance for rural revitalization as well as areas in Xinjiang and Tibet that are managed as key counties and receive government assistance.

The Bank vigorously improved the quality and efficiency of outlets. Firstly, it adhered to the value positioning of outlets. Based on the systematic transformation achievement of outlets, the Bank developed a three-year plan for improving the quality and efficiency of outlets, constantly optimized the layout of outlets, and strove to increase their operating income and efficiency, so as to accomplish the high-quality development of outlets. Secondly, the Bank established a comprehensive indicator system for assessing the performance of outlets, promoted the digital portrait of outlets and enhanced the digital management of outlets. Thirdly, the Bank actively worked to enrich the business forms of outlets, and built outlets with distinctive businesses and services based on the resources in neighboring areas and customer needs, to give full play to the role of outlets in customer acquisition.

The Bank continued to improve customer experience at its outlets. Firstly, it stepped up efforts to improve the image of its outlets. As at the end of the reporting period, 27.9 thousand outlets replaced their exterior signage, and over 2,000 outlets kicked off interior renovation by unifying indoor and outdoor logos and optimizing section functions for wealth management, investor education and negotiation to optimize customer circulation. Secondly, the Bank improved the capability in offering wealth management services. It established a differentiated personnel training system to build a full-time, professional and stable wealth management team. It continued with the investor education campaign titled "Weekly Wealth Management Lecture" to popularize knowledge about investment and wealth management and help customers establish a rational investment concept. Being customer-oriented, the Bank cemented the concept of comprehensive marketing services, to create a synergy among employees of different posts and improve resource allocation at outlets. Thirdly, the Bank introduced "heart-warming services" by offering "more considerate, more proactive, more thoughtful, and heart-warming services" to customers at 35.1 thousand outlets.

The three-year plan for customer journey optimization concluded successfully, with customer experience improved over the past three years.

1. Overall customer satisfaction showed an upward trend, earning the Bank the "2022 Glory of Enterprises – Outstanding Customer Experience Bank of the Year" Award by The Economic Observer;
2. The efforts to optimize customer journey yielded remarkable results, with 81.99% of customer journey digitized and the empowering capability of FinTech improved sharply.

The Bank continued to introduce new modes of intelligent operation at outlets. Firstly, it piloted the operation mode of "cloud counter", and explored the mode that combines on-site self-services with remote video-based authorization, to overcome the limitations of physical outlets and strengthen the capabilities in intensive processing and customer services. Secondly, the Bank promoted the integration of different operational staff at outlets, removed the restrictions of traditional posts, allowed employees at outlets to process transactions or provide on-site services flexibly and thus increased operating efficiency. Thirdly, the Bank established the model for intelligent scheduling of bank tellers within and across outlets in the same city, so as to provide intellectual support for the optimal scheduling of outlet tellers. Fourthly, the Bank continued to enrich mobile business scenarios to meet customer needs for doorstep services and improve one-stop service experience of mobile business. Fifthly, the Bank upgraded the intelligent queuing system in the lobby space to make lobby services more precise and improve customer identification and acquisition in the lobby. As at the end of the reporting period, the Bank had 139,341 self-service terminals, including 51,044 intelligent teller machines (ITMs), which accounted for 95.55% of self-service terminals for non-cash service, and 66,219 internet-enabled mobile business terminals.

Electronic Banking Channels

Mobile Banking

The Bank launched PSBC mobile banking App 8.0, which has five new features. Firstly, it has a new look. To meet the differentiated demands of different customers, six versions were launched with over ten theme skins, enabling extreme experience varying with customers. Secondly, it has a new ecosystem. Built on precise geographical location, rich scenarios and strong digital and intelligent capabilities, the App supports personalized recommendations of products and services and aims to create a digital ecosystem of personal services. Leveraging blockchain technology, the App presents digital products and supports innovation in financial products and services. Thirdly, it features new wisdom. Thanks to strong capabilities in data storage and processing, the App allows queries of transaction details over the last eight years. Also, it enables one-click generation of wealth management examination reports based on customer asset structures to optimize investment portfolios. Fourthly, it offers new interactions. Empowered by biological recognition, big data-based risk control and other technologies, the App reshapes business processes, promotes active credit extension, and realizes authorization with one click, quick approval and revolving credit lines. Also, it upgrades the way of remote interactions, adopts the new generation 16K engine for speech recognition, and uses the deep fully convolutional neural network to boost voice recognition and improve interaction experience in the whole process. Fifthly, it offers new protection. Leveraging technologies like intelligent risk control, facial recognition and customer portraits, the App, based on a strong and complete anti-fraud system, blocks risky transactions in a real-time manner, increases the limits of amounts transferred via mobile banking, and simplifies the transfer between low-risk accounts. As at the end of the reporting period, the number of mobile banking users reached 344 million, including over 49 million monthly active users (MAU), and the amount of transactions reached RMB14.65 trillion, up 12.35% year on year.

The Bank strengthened the system support capacity building, launched a brand-new corporate mobile banking, and crafted ten functional segments such as account management, settlement, wealth management, loans & financing and taxes that cover 169 items of services to further improve the ability to serve corporate customers online. Focusing on customer experience through refined services, the corporate mobile banking introduced an open user registration system of the standard version and the version for micro and small-sized enterprises, etc. to offer differentiated services to different customer groups. Certified for mobile security, the corporate mobile banking supports treasury transactions processed without USBkey, and is aligned with online banking to realize integrated operations via multiple channels. The line estimation, loan application, drawdown and repayment of "Easy Small and Micro Loan" are all operated online, while intelligent functions, including intelligent customer service, intelligent prompts and cloud studios of relationship managers, grant customers access to convenient financial services. Corporate mobile banking also allows legal entities to manage several enterprises under them with one click, and provides a range of tax products to boost efficient corporate operation. From the release in November to the end of the reporting period, the corporate mobile banking attracted 154.0 thousand registered users and 1,814.8 thousand transactions.

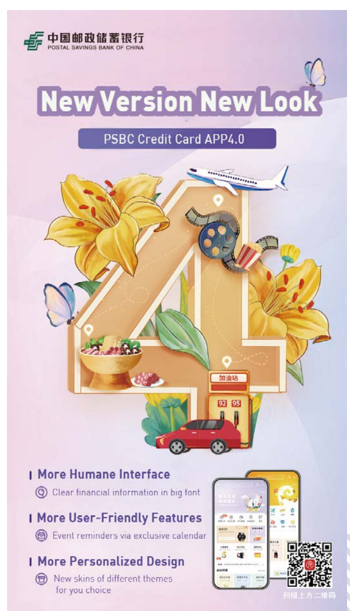
Online Banking

The Bank further strengthened the personal online banking services by improving the features of products like wealth management, fund and insurance and optimizing services like transfer and batch agency payment to create better customer experience. The corporate online banking was upgraded to version 3.0, refining function details related to customer experience with the aim to deliver the best customer experience through technology empowerment. The interface was re-designed, supporting customized homepage design, financial calendar, quick navigation and product recommendation, etc. New online products were unveiled, including account receipts and payments analysis, inter-bank agency payment, intelligent wealth management, electronic letters of guarantee, and intelligent customer services. Intelligent services, such as intelligent match of transfer routes, auto-fill of payment bank codes for batch transactions and customized display of the elements of query results, were available for better interactive experience. Non-financial services like HR management, bookkeeping and tax query were launched to facilitate corporate operation and management. As at the end of the reporting period, the Bank had more than 1.15 million corporate online banking users, representing an increase of 29.37% over the prior year-end. Effective corporate online banking users accounted for 89.80% of the total corporate customers, representing an increase of 5.04% compared with the prior year-end. The transaction amount reached RMB12.81 trillion, representing a year-on-year increase of 31.28%.

Credit Card App

The Bank launched the PSBC Credit Card App 4.0. Under the Bank's "Gemini" strategy for personal financial services, the App, designed to be customer-centric, introduced new features like big-font interfaces, service hall and QR-based application for instalments at shops, to deliver better customer experience. The user interface (UI) was restructured to form a youthful, high-class visual style, offering theme skins and allowing customization of visual effects. With an open account system, the App enabled easier binding of debit cards and scenarios, and adapted to a wider range of application scenarios to offer retail customers more convenient and considerate online services. Marketing was re-deployed, adding functions like a section of brand benefits and activity calendar countdown reminder, concentrating on marketing development of consumer consumption scenarios, and improving the display effects of activities like local discounts and coupons, so as to engage with users in a more immersive way and precisely empower the marketing activities at branches through online channels.

As at the end of the reporting period, the number of PSBC Credit Card App users reached 16,609.2 thousand, an increase of 117.62% from the prior year-end, and 18,091.5 thousand credit cards were linked to the app, an increase of 100.29% from the prior year-end. PSBC Credit Card App is among banking apps with over 10 million users, and becomes a core channel for credit card operation and the front line for building user stickiness.



The PSBC Credit Card App 4.0 went live

Remote Service Channels

Remote Banking Services

The Bank was committed to strengthening management and service capabilities using FinTech. Focusing on customer demands, the remote banking center is designed to be a remote integrated customer service platform that leverages omni-media channels, covers diverse scenarios and delivers companion services. While intelligent products like customer service assistants and training robots were launched, development of livestreaming platform and customer service robot were also moved forward. Moreover, a digital service section for data sorting, mining and application was put in place, improving digital operation and enhancing remote service experience in all aspects. During the reporting period, the answer success rate by manual response was over 92%.

Credit Card Customer Service Hotline

Taking advantage of digital transformation, the Bank explored ways to shift traditional hotline service to smart and online customer services, and launched Credit Card App Service Hall to address customer consulting and complaint needs through one-stop online services, delivering intelligent services for customers for 2,246.4 thousand person-times. Built on scenario-based experience, the Bank optimized the structure of the automatic voice service in an all-round way, simplified operation, provided easier access to manual service, provided services with a stronger human touch to special groups like elderly customers, and constantly improved customer experience in the whole process. The answer success rate of manual response was over 94%, and customer satisfaction with manual service was 99.75%.

Merchant Acquiring Business

Based on the construction of "reinforced scenarios", the Bank focused on improving digital operation of acquiring business to cultivate professional core capabilities.

Building customer acquisition and activation front lines with "outlet + business district" ecosystem. Taking local outlets as the center and acquiring merchants as basis, the Bank has developed business districts including supermarkets and shopping malls, restaurants, cultural tourism and specialty markets. By leveraging mobile banking, the Bank has built an online platform of "mobile business districts" with precise customer targeting, which addressed the last-mile problem of financial services for merchants and formed a distinctive ecosystem for coordinated operation of businesses (B-end) and customers (C-end). As of the end of the reporting period, the Bank built 4,520 outlet-based business districts, reaching nearly 200 million customers.

The Bank improved the environment for the handling of mobile payment in counties. As at the end of the reporting period, the number of merchants in counties reached 1,077.1 thousand, accounting for 54.14% of the total number of merchants onboard; the transaction amount exceeded RMB130 billion, and 547 demonstration counties for handling mobile payment were in place, covering more than 290,000 county scenarios like retail stores and supermarkets, restaurants, healthcare, cultural tourism and hotels, travelling and education. With the building of county-wide financial ecosystems at the core, the Bank, leveraging local resources, advanced the implementation of county-specific plans and promoted rural revitalization. Also, the Bank created new modes of services, worked with mainstream service providers, and provided the "finance plus life" integrated solution based on the "going-out plus bringing-in" strategy, to push merchants to upgrade operation, reduce cost and increase efficiency and support the development of digital rural areas. The smart store and supermarket project has been implemented nationwide, covering over 1 million community customers and forming consumer ecosystems of mobile payments in new rural communities.

Electronic Payment Business

The Bank strove to build the brand of payment business, enrich payment scenarios, and increase the quality and efficiency of customer acquisition. As at the end of the reporting period, the number of customers who had debit cards linked for quick payment reached 282 million, up 7.22% from the prior year-end.

The Bank worked to enhance the capability in open payment services, drive the development of digital inclusive finance, and build a smoother value chain for customers. The Bank continuously upgraded the PSBC Pay cashier, and offered internet-enabled payment and settlement services for several intra-bank systems like its open payment platform, precious metal cloud store and unified acquiring system. During the reporting period, 30.36 million transactions were completed on a cumulative basis, involving RMB73 billion in total and covering a dozen of industries such as campus, healthcare, tobacco, non-tax services, social insurance, Party and League activities, bill payment and precious metals.

Column

Service Transformation and Upgrading and Building Featured Sub-branches and Outlets

Shenzhen

Shenzhen Bay Sub-branch of Shenzhen – A Sub-branch with Coffee Services

Shenzhen Bay Sub-branch is one of the first outlets of the Bank that combine coffee services with financial services. Established in Shenzhen Software Industry Base, the outlet has many young customers. Given its resources and customer needs, the outlet highlights scenarios and experience in interior design. Besides regular operations, it also offers the "Beverage Section" where coffee, tea and other beverages are available to customers, and the "Wealth Management Center" that serves as a venue for enterprise roadshows, salons, talks and training. Since its opening in 2019, the outlet has achieved steady growth in operating results, with young and middle-aged customers accounting for over 60% of its customer base.

Guangdong

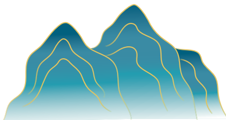
Changpo Carbon-Neutral Sub-branch of Gaozhou City of Guangdong Province – A Carbon-Neutral Sub-branch

Gaozhou Changpo Carbon-Neutral Sub-branch of Guangdong Branch is the Bank's first officially established carbon-neutral sub-branch. Guided by the "carbon peaking and carbon neutrality" strategy, the outlet commits to boosting innovations of green finance in local areas, and has made constant headways in driving green finance, improved both customer experience and service capabilities, achieved economic, social and ecological benefits and formed advantages unique to the brand. The outlet has actively supported the development of local real economy, made all-out efforts to serve the people's livelihood, and won trust and support from the market and customers through excellent financial services.

Shanxi

The outlet of Jinzhong Branch of Shanxi Province – A Sub-branch with Sign Language Service

The Bank vigorously advanced the building of outlets with sign language service, and the outlet of Jinzhong Branch operates exactly like a "financial convenience store" in the world of silence. In line with what is expected and needed by the people, the outlet considers the support for hearing-impaired people as central to its efforts to do practical things and makes sign language a regular service. Adjacent to Jinzhong Special Education School, in recent years, the outlet has regularly invited teachers from the school to teach employees how to use sign language, and put sign language practice on the agenda of its morning and evening assemblies to let each employee learn how to communicate with it. By popularizing the sign language service, the outlet has narrowed its gap with hearing-impaired customers. As at the end of the reporting period, the outlet has offered financial services to about 3,000 hearing-impaired persons. Through sign language communication, the outlet has shown the human touch of PSBC quietly, and made financial services access to a growing number of special customer groups.



Zhejiang

Wuxing Green Sub-branch of Huzhou City, Zhejiang Province – A Green Sub-branch

In active response to national and local policies, Wuxing Green Sub-branch was transformed and upgraded into a green sub-branch in 2019, the first of its kind of the Bank. It has comprehensively improved the capability of offering green finance services, vigorously advocated the concept of green development and green operation, worked to create a green atmosphere, developed a list of green and inclusive products and services, increased supply of green credit, introduced the new government service mode for "Easy Small and Micro Loan", and launched the first "green channel loan" business of PSBC. As at the end of the reporting period, the balance of green financing at Wuxing Green Sub-branch reached 80.40%.

Fujian

The outlet of Longyan Branch of Fujian Province – Jinhui Sub-branch

The Bank steadfastly advanced the improvement of the service quality for elderly customers. As at the end of the reporting period, the Bank set up more than 400 outlets offering featured services for the elderly. The outlet of Longyan Branch actively updated hardware facilities and optimized service processes, delivering better experience for elderly customers in multiple aspects. The outlet set up an elderly service section, where reading glasses, magnifying glasses, wheelchairs and some other service facilities are available, and elderly customers can enjoy massage while waiting in the queue. It also launched Jinhui Club where elderly customers have access to bonus points and exclusive value-added services. It established a "Community Financial Service Station for the Elderly", which is tasked with door-to-door financial services and anti-financial fraud publicity on a regular basis. The outlet was rated by the local branch of the People's Bank of China as an "Model Elderly-Oriented Outlet".

Zhejiang

Quhua Sub-branch, Quzhou City, Zhejiang Province – PSBC Care Station

The Bank vigorously promoted handy services for the people, and set up "PSBC Care Station" at outlets as a space where citizens can take a rest, drink water, heat meals, recharge mobile phones and gain knowledge about inclusive finance, and where human-oriented and barrier-free services are tailored for special customer groups and maternal and child services are also available. Quhua Sub-branch of Quzhou launched the cold tea service at its "PSBC Care Station" based on unified arrangement of tea making, packaging and transport, and offered 700-800 bottles of cold tea for free every day. The "PSBC Care Station" shows the care of PSBC to outdoor workers, including delivery men, sanitation workers and construction workers, rendering a space where they can rest when tired, refill water bottles when thirsty and access umbrellas in rainy or snowy days.

Green world better life

Column

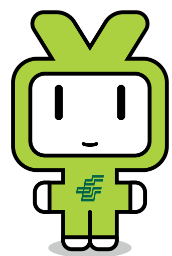
Accelerating the Pilot Projects of E-CNY and Facilitating Digital Transformation and Upgrade

The Bank worked vigorously to deliver on the purpose of providing inclusive financial services, continued to expedite e-CNY R&D pilot projects, and further expanded the coverage of the e-CNY business. Upholding the innovation-driven approach, the Bank endeavored to improve customer experience and promote digital transformation in the financial field. As at the end of the reporting period, the Bank topped the operator list by the number of customers who opened personal wallets via e-CNY App.

Intensifying efforts to build featured scenarios

The Bank continuously advanced the building of the e-CNY acceptance environment, and, based on the characteristics of pilot areas, energetically explored the scenarios for creative application of e-CNY, in an effort to build an open and sharing scenario ecosystem for e-CNY. Focusing on consumer credit, the Bank built e-CNY loan disbursement and repayment scenarios for auto loans, "You Xiang Loan," and "You Cash Loan" of PSBC Consumer Finance, and moved traditional credit processes online. The Bank built a "hardware wallet" product lineup, and launched "Lize E-CNY pass" based on the e-CNY hardware wallet in Beijing, the industry's first-ever practice that integrated several industrial applications and enabled pass and payment with one card. The Bank actively met the demands of new citizens for financial services, and launched the e-CNY wallet for new citizens to improve the payment experience of left-behind elders and children. It issued Petro China Hardware Wallet Gas Card, allowing payment and collection of e-CNY at Petro China's gas stations even with both payers and payees offline. Moreover, the Bank deepened retail transaction scenarios, and created the exclusive online scenario of "Xiao You E-CNY Mall" based on its "You Sheng Huo" platform to deliver cost-effective and convenient payment services. It introduced the new scenarios of using e-CNY to purchase insurance, pay for auto rents and buy sports lotteries and tickets online. It also expanded the application of e-CNY in the travelling field, enabling the use of e-CNY to take buses and subways in Fuzhou, Ningbo, Qingdao and Guangzhou and the use of e-CNY to take ferries in Xiamen. The Bank tailored the "online and offline" integrated e-CNY payment solution for Petro China, enabling gas card top-up online and gas refilling without getting off cars in Sichuan, Shenzhen, Xi'an, Hainan, Shanghai, etc. The Bank created new government service scenarios, facilitating payment of social insurance and medical insurance fees with e-CNY in Changsha and Xi'an, and initiating pilot projects of tax payment through e-CNY by agreement in 11 cities like Chengdu, Jinhua, Xi'an and Fuzhou. In an effort to expand the scenarios of payment in life, the Bank, relying on its open payment platform, has seen 624 fee collection agencies accept e-CNY in the pilot cities.

E-CNY wallet for new citizens



E-CNY IP image of PSBC

E-CNY section in PSBC's mobile banking App

"Life" sub-section in the e-CNY section

Keeping enriching the product mix

During the reporting period, the Bank upheld the customer-centric philosophy, intensified product innovation and continued to improve e-CNY products and services. It launched the "Life" sub-section in the e-CNY section of its mobile banking App, and integrated scenarios in e-CNY exclusive store, mobile business circle, PSBC Pay merchants, etc., to provide customers with one-stop online e-CNY services via the mobile banking App and facilitate daily operation and fund collection by merchants onboard. The Bank launched products for e-CNY featured by "top-up while using", the release and claiming of e-CNY cash red envelopes, the convenient agency distribution of e-CNY and the umbrella-type wallet system, and simplified the processes of fund transfer and settlement for corporate customers, in a bid to provide the public with more secure, inclusive and convenient e-CNY services.

Human Resources and Institution Management

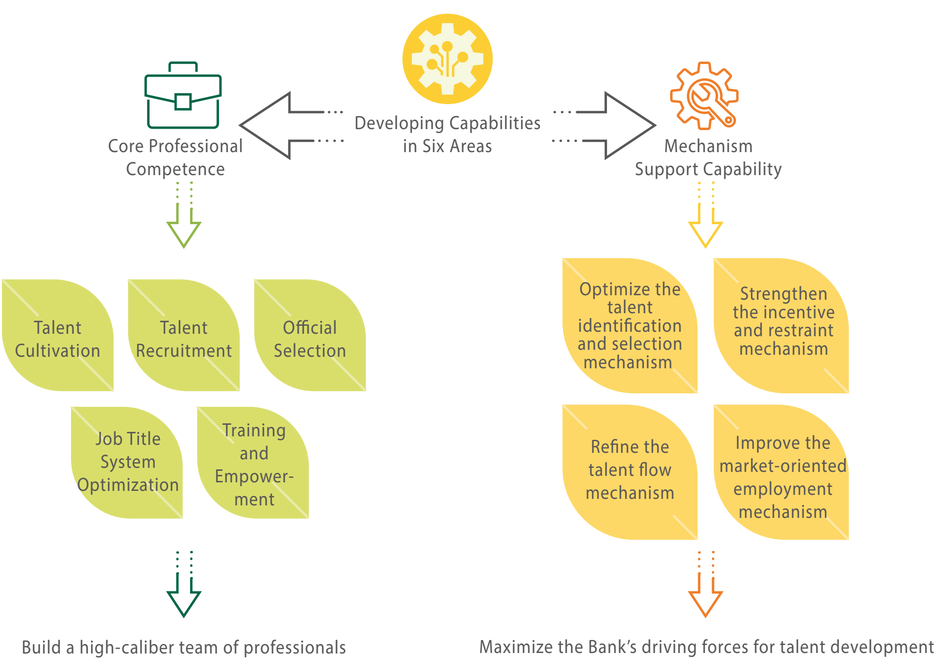
Human Resources Management

In terms of recruitment, the 2023 campus recruitment program has the creative theme of "Wulin Assembly in the PSBC World". A series of online career talks are launched including the Wulin Assembly, the Growth of a Kongfu Master and the Jianghu Legends, so as to demonstrate the PSBC vitality and its ambition to seek the best and brightest. The Bank launched the "U+ Talent" campus recruitment and training program to strengthen the training of new employees and attract outstanding graduates to join the Bank. In the "Best Employer Award 2022" co-sponsored by Zhaopin and Institute of Social Science Survey of Peking University, the Bank ranked among the "Top 10 Best Employers of the Year" and "Top 10 Most Attractive Employers among College Students".

In terms of talent cultivation, the Bank attached great importance to employee development, and established and implemented a double promotion channel of "management plus professional", in which personalized career development plans are made according to personal characteristics and professional expertise of each employee, so as to match right people to right positions. At the same time, it promoted high-caliber employees to a higher level, and accelerated the building of core talent teams. To promote the flow of talents across branches, the Bank organized talent exchanges among tier-1 branches, cross-branch recruitment, assistance to branches in difficulties, and HR support for Xinjiang and Tibet, so that officials could develop greater competence in practice. The Bank improved the internal talent flow mechanism, and launched the "U Exchange Program" at the Head Office in 2022 to encourage employees to gain work experience in multiple positions, and provided the workforce excellence required for the transformation and development of the Bank.

In terms of talent training, the Bank continued developing and cultivating talents at greater depth, and stepped up talent team building efforts in all aspects. During the reporting period, it improved the talent training and development system with centralized training and remote training as major approaches and Party School training and qualification certification as supplementary ones. Efforts were made to strengthen training in Party consciousness and Party building, and implement the official education and training plan. Great importance was attached to the development and optimization of high-quality training programs. During the reporting period, the Bank upgraded the "Pilot" training project for management personnel, and formed a systematic training program for each stage. The Bank enhanced the experience, quality and efficiency of training through web communities, webinars and other innovative methods on the cloud platform. With the goal of improving the professional competency of employees, the Bank established a regular qualification certification system for employees of various position categories. Continuous efforts were made to build a team of internal trainers and strengthen the Bank's internal training capability. The Bank enriched training resources, upgraded and optimized the online training platform, and consolidated the foundation of internal training. Upholding the concept of continuous learning and lifelong learning, the Bank urged employees to increase their professional competence and achieve personal growth along with organizational development. During the reporting period, more than 52,000 online and offline training courses were provided, with more than 2.7 million person-times trained.

In terms of remuneration and benefits management, the Bank optimized the payroll allocation system driven by performance and value creation, increased payroll incentives for branches in key cities, improved the indicators for the input-output efficiency of resources, and promoted the high-quality development of the Bank. Taking the market-oriented reform as the direction, the Bank continued to improve the remuneration allocation mechanism with emphasis on shifting towards key management personnel and employees at the primary level and front-line positions, and improved the market competitiveness of its remuneration system step by step. The Bank strengthened the management of the performance evaluation process, promoted the application of performance appraisal results, and gave full play to the role of performance appraisal. It also kept optimizing its benefits system, improving welfare benefits, and enhancing the employees' sense of belonging.



Green world better life

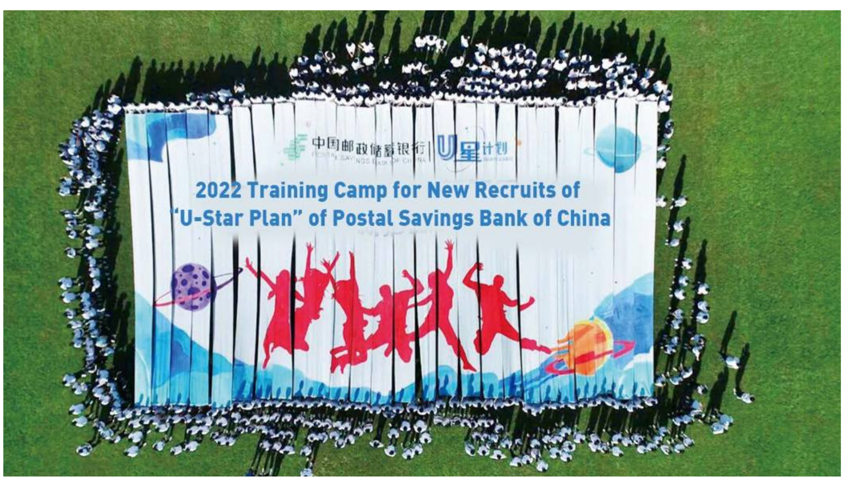
Column

Adopting Innovative Recruitment Practice, Promoting Youth Engagement

In 2022, the Bank continued to build a strong employer brand and highlight its image as a reliable and responsible major bank, and was listed among the "Top 10 Best Employers of the Year" and "Top 10 Most Attractive Employers among College Students". In order to meet the recruitment needs across the Bank, the overall arrangements for campus recruitment were carried out in a well-coordinated way, with innovation as the focus and publicity as the core starting point. As a warm-up activity for campus recruitment, the Bank launched the "Online PSBC Tour", a journey with three stops, i.e., "Bank - Head Office - Branches" and in five episodes. In terms of campus recruitment, the Bank developed the creative theme of "PSBC Jianghu Wulin Assembly", with a series of online career talks including the Wulin Assembly, the Growth of a Kongfu Master and the Jianghu Legends. For the first time, relevant recruitment videos were provided featuring Bank leaders from 36 tier-1 branches to demonstrate the PSBC vitality and its ambition to seek the best and brightest. The total views for online career talks reached 1.089 million on all platforms, and the first live broadcast attracted more than 410,000 person-times.

In terms of talent cultivation after the campus recruitment, the Bank launched the "U⁺ Talent" program to strengthen the training of new graduates, and established a long-effect training system including an orientation program and a tracking mechanism, in which a mentoring system was adopted throughout the whole process, so as to achieve personal growth together with organizational development, mutual learning between mentors and new employees, and win-win results for the Head Office and frontline units. The training plan is a five-step program, i.e., from the "U⁺ Intern Camp", "U⁺ Training Camp", "U⁺ Practice Camp", "U⁺ Backbone Camp" to "U⁺ Takeoff Camp", with various new employee training schemes, mentoring, frontline programs, themed field trips, event replays, quarterly magazine preparations and other activities, with satisfactory results.

Campus Recruitment Mascot: You Xiao Chu, the Kung-Fu Master



Scan to watch the 2023 campus recruitment video

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Column

Adopting Innovative Training Methods, Strengthening Management Team Building

The Bank accelerated reforms in fixed-term appointment and contract-based employment. Based on the experience gained from the pilot programs, the Bank strengthened the top-level design and implementation of reforms, established a market-oriented policy system consisting of basic policies, supporting documents, work plans, and implementation; and developed a "parallel assessment" mechanism, i.e. business performance assessment and comprehensive assessment by leaders. An online contract signing platform (e-Contract) was developed for better digital contract management. A total of over 13,000 cadres of the Bank all signed their contracts on the online platform, with pronounced responsibilities, tasks, targets and assessment designated for each person.

The Bank improved the training methods of young cadres. Focusing on both immediate needs and long-term development, the Bank worked to break the existing rank hierarchy, and adopted a strategic approach to identify, train and select young cadres in a broader and deeper sense. An innovative training project "Huawei Reserve Camp for Young Cadres" was carried out. According to the unified evaluation results, young cadres from departments at all levels of the Bank were separated into different classes and groups, for which different curriculums were designed in a way to "provide what is most needed for the participants", so as to match the curriculum with the needs of the particular group. The Bank strengthened the collaboration between Party committees at all levels to define the objectives, tasks, qualifications, general idea and implementation steps of the "Steed" strategic talent pool, guiding all branches to formulate and implement a training program for young cadres in accordance with talent development principles.

Employees

As at the end of the reporting period, the Bank had a total of 195,102 employees, among which, 180,038 were contracted employees (including 1,697 in majority-owned subsidiaries), and 15,064 were dispatched employees. The number of retired employees of the Bank was 24,134. In terms of the number of talents, the Bank kept the number of employees in a reasonable size, and shifted the idea of talent allocation from an increase in quantity to the improvement of per capita efficiency. In terms of the talent quality, the Bank steadily improved the number of employees with high qualifications. Since 2020, the proportion of employees with a bachelor's degree or above in the Bank had continued to increase, with a rise of 5.43 percentage points over the past three years. In terms of the talent structure, the position distribution was more reasonable, and more human resources flew to core businesses and front-office marketing positions in an orderly manner.

The Bank's Employees by Function

Item	Number of employees	Percentage (%)
Management at all levels	6,082	3.38
Retail banking	65,501	36.38
Corporate banking	16,590	9.22
Treasury and asset management	1,103	0.61
Risk management and internal control	17,783	9.88
Operation and clearing	22,903	12.72
Others	50,076	27.81
Total	180,038	100.00

Note (1): The Bank's employees refer to contracted employees of the Bank (including those at its majority-owned subsidiaries).

Note (2): Others include administration, information technology, and other supporting positions.

The Bank's Employees by Age

Item	Number of employees	Percentage (%)
Up to 30 years old (inclusive)	34,788	19.32
31 - 40 years old	88,584	49.20
41 - 50 years old	40,631	22.57
Over 51 years old (inclusive)	16,035	8.91
Total	180,038	100.00

The Bank's Employees by Education Background

Item	Number of employees	Percentage (%)
Master's degree and above	17,150	9.53
Bachelor's degree	132,212	73.43
Associate degree	26,882	14.93
Others	3,794	2.11
Total	180,038	100.00

Institution Management

The Head Office of the Bank is located in Beijing, being the hub for decision-making and management of the Bank. The Bank has established tier-1 branches in the capital cities of provinces, autonomous regions, municipalities, and cities with independent planning status. As the operation management center within the corresponding regions, tier-1 branches are responsible for managing all sub-branches in their respective areas and directly report to the Head Office. Tier-2 branches are generally set up in the prefecture-level cities in provinces and autonomous regions. In addition to their operation management functions, tier-2 branches are also responsible for managing branches and sub-branches under jurisdiction, and report to the tier-1 branches in their respective regions. Tier-1 sub-branches primarily undertake the functions of business operation and outlet management, and report to their supervisory tier-2 branches. Tier-2 sub-branches primarily undertake the function of business operation.

During the reporting period, the Bank continued to optimize its organizational structure to better implement the strategies and ensure business development. The Xiong'an New Area Development Service Committee was set up under the senior management of the Head Office to increase support for the development of Xiong'an New Area. Meanwhile, according to the requirements of the central government and regulators, the Bank optimized the bank-wide audit management system, further strengthened the vertical management of audit work, and improved the independence and authority of internal audit to serve the high-quality development of PSBC. The Bank vigorously strengthened the centralized operation of all businesses and functions, and adjusted the institutional setting from time to time to improve the operational efficiency. It also optimized the layout of branches and adjusted the internal institutions at all levels, so as to improve the efficiency of organizational operation and provide strategic support for Bank development.

As at the end of the reporting period, the Bank had 8,088 institutions, including the Head Office, 36 tier-1 branches, 324 tier-2 branches, 2,121 tier-1 sub-branches, 5,603 tier-2 sub-branches and others, and three majority-owned subsidiaries.

The Bank's Branches, Sub-Branches and Employees by Geographical Region and Asset Size

In millions of RMB, except for percentages or otherwise stated

Region	Asset size	Percentage[1] (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	10,103,690	40.02	1	0.01	7,035	3.91
Yangtze River Delta	2,408,977	9.54	929	11.49	20,246	11.24
Pearl River Delta	1,575,657	6.24	727	8.99	18,793	10.44
Bohai Rim	2,420,624	9.59	1,125	13.91	26,464	14.70
Central China	4,569,518	18.10	2,378	29.40	45,943	25.52
Western China	3,069,031	12.16	2,126	26.29	41,443	23.02
Northeastern China	1,099,094	4.35	802	9.91	20,114	11.17
Total	14,067,282[(2)]	100.00	8,088	100.00	180,038	100.00

Note (1): The proportion of total assets in each region is calculated based on the aggregated data before offsetting.

Note (2): Total assets are the amount after internal offset, and the offset amount is RMB11,179.309 billion.

Note (3): Other than the number of institutions disclosed above, the Bank has one Credit Card Center as a specialized institution.

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Column

Creating a Culture with a Human Touch, Showcasing Different Stories of PSBC Employees

Face-to-Face Talks: The Stories Behind

In order to promote the full implementation of corporate culture, explore the stories behind work accomplishments, share excellent experience, popularize good practice and applaud great deeds, the Bank organized a series of "Corporate Culture Talks", featuring dialogues with employees from different business lines, in which various thoughts, opinions and wishes on corporate culture are shared, displayed and exchanged, with the purpose of creating a better working atmosphere. A series of interviews have been published on the WeChat official account "PSBC Labor Union" which, with pictures, texts and Q&As, summarized the work methods on "innovation" and "collaboration". The talks addressed various topics including business products, technology development, human resources and branding from multiple dimensions such as work attitude, work mentality, work methods and practical tools, and were widely recognized and appreciated by employees.

Episode I

Be large-minded! PSBC could be so young! #Corporate Culture Talks#

"Innovative Products and Marketing Strategies for Reaching Younger Generation"
Dialogue with the Personal Banking Department and the Credit Card Center of the Head Office

Episode II

Metaverse? Cloud computing? The technological creativity of PSBCers!

"Technological Innovation"
Dialogue with the Data Center and the Remote Banking Center of the Internet Finance Department of the Head Office

Episode III

Cross 2,500 km and climb up an altitude of 3,650 meters , for the most admirable people only!

"How to serve the most admirable people with a high-efficient synergy system"
Dialogue with the Corporate Finance Department of the Head Office

Episode IV

Please pay attention! Here are some tips for the updates of PSBC!

"HR Policies and Organizational Innovations"
Dialogue with the Human Resources Department of the Head Office

Episode V

A review of the rise of heavyweight ___ and popular ___!

"Innovations in Cross-department Collaboration"
Dialogue with the Financial Technology Innovation Department and the Sannong Finance Department of the Head Office

Episode VI

How to tell a good story? These craftspeople have something to share

"Adopting Innovative Approaches to Tell PSBC Stories Well"
Dialogue with the General Office, Office of the Board of Directors and Labor Union of the Head Office

Creating Cultural IP and Building the Spiritual Home

Upholding the value of "employees are the most important asset", the Bank respects the personalities and value of young employees, and launched the "PSBC New Youth" project to identify the unique characteristics and cultural preferences of the post-90s and post-95s employees. It is a communication matrix integrating multiple cultural forms such as micro journals, comics, micro films, cultural and creative products, immersive art exhibitions and theme forums, with the aim of creating exclusive cultural IPs for PSBC youth, promoting the growth and development of young employees throughout the Bank, and demonstrating the corporate culture of PSBC. The Bank has released short films We Are the Future and PSBC New Youth and launched the "Stories of 100 PSBC New Youth" column on the WeChat official account "PSBC Labor Union". Featuring the innovative and striving spirits of the new-generation youth of PSBC, the column strikes a chord with the broad masses of young employees.

Featured Stories of PSBC New Youth

Risk Management

Digital and intensive risk management was improved on all fronts.

The Bank continued to promote application of intelligent risk control in all aspects of various fields to facilitate its high-quality development.

The Bank applied a "future-oriented" credit approval philosophy and technology to promote corporate business transformation and development.

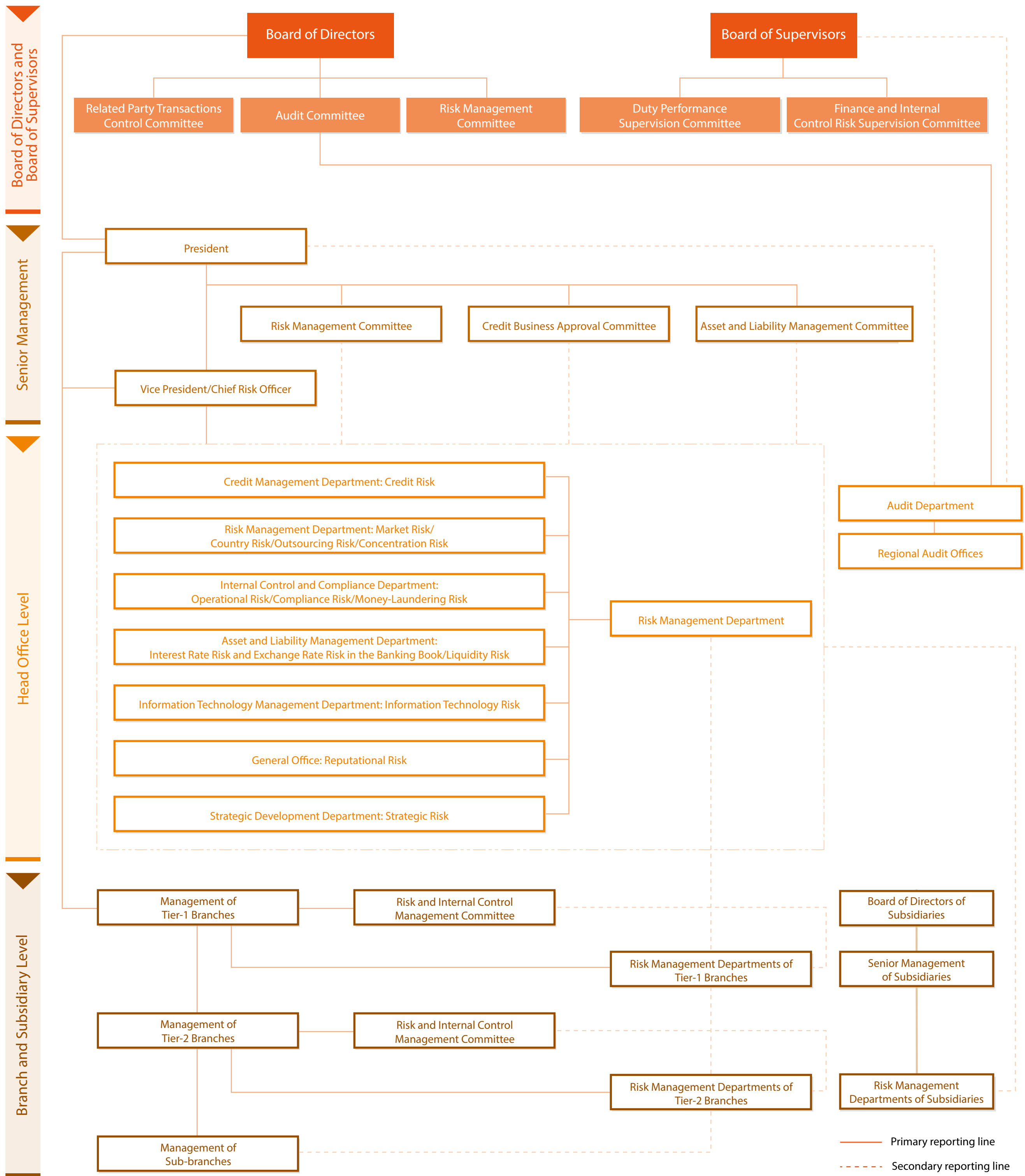
Risk Management Organizational Structure

The Board of Directors assumes ultimate responsibilities for comprehensive risk management. It is responsible for establishing the risk culture; formulating and approving risk management strategies, setting and approving the appetite and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, reviewing and approving disclosure of comprehensive risks and various significant risks, appointing Chief Risk Officer, and performing other duties related to risk management.

The Board of Supervisors assumes the responsibilities for supervising the comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them to make rectifications.

The Senior Management assumes the responsibilities for the implementation of comprehensive risk management and execution of the Board's resolutions. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management, clarifying division of responsibilities among departments responsible for comprehensive risk management, business departments and other departments in risk management, establishing an operational mechanism with effective coordination and balanced power across departments, and formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits. It sets risk limits according to risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer, product. It also formulates risk management policies and procedures, evaluates them regularly and adjusts them when necessary. It assesses overall risks and the management of various material risks, and reports to the Board of Directors. It establishes a sound management information system and a data quality control mechanism, oversees breaches of risk appetite, risk limits, and violations of risk management policies and procedures, and deals with them under authorization of the Board of Directors. It also assumes other responsibilities of risk management.

Risk Management Organizational Structure



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

Comprehensive Risk Management

In the face of triple pressures of shrinking demand, supply shocks and weakening expectations in economic development, the Bank, taking a risk-based approach, made greater efforts to fulfill its responsibilities as a major state-owned bank, worked continuously to build excellent risk management capability and improved digital and intensive risk management in all aspects. During the reporting period, the Bank maintained good asset quality and risk offset capabilities with the risk trend stable and under control.

Upholding a prudent and sound risk appetite, the Bank worked to foster the core competence for risk management. It advanced refined risk management, pushed forward the development and application of advanced approaches for capital management with well-ordered steps, built and applied the core monitoring indicator system, and continued to deepen the application of intelligent risk control in the whole process of credit extension, compliance management, anti-fraud, anti-money laundering, consumer protection, etc. The Bank advanced intensive operation in risk management, promoted centralized review and approval, authorization, monitoring and inspection, and strengthened check and balance in supervision, so as to enhance the efficiency and quality of risk control. With an improved forward-looking approach in risk management, the Bank established a work mechanism for industry research with synergies between the Head Office, branches and sub-branches as well as between front, middle and back offices, reinforced the selection of target customers in emerging industries, and grasped the risk trends facing the market, industry and enterprises. It improved the sensitivity of risk management by building a proactive monitoring mechanism for overall risks to fastly analyze and respond to the signals of emergent, intersecting risks and risk contagion. The Bank intensified risk investigation in key fields, and promptly took risk mitigation measures. Also, it strengthened the binding force of risk management by tightening rigid control through systems, and building a regular, process-based and specialized closed-loop governance mechanism consisting of problem identification, system optimization, follow-up inspection and evaluation, and completion of rectification.

Advanced Approaches for Capital Management

The Bank continuously pushed forward the development of advanced approaches for capital management. During the reporting period, it worked to intensify application and improve refined management, and deepened the development and application of advanced approaches. The Bank continued to optimize its internal rating models by developing new models for the non-retail business involving new customer groups like specialized and sophisticated enterprises that produce new and unique products, and completed the new round of calibration for the retail pooling model, which remarkedly increased the business coverage and applicability of internal rating models. The Bank advanced the development of model grading and classification standards, refined the validation mechanism, and improved the quality and efficiency of model-based risk management. It intensified supervision over rating operation, put in place a regular rating management mechanism, stepped up governance of data quality at the source, enhanced the efficiency of rating and made rating operation more standardized and intelligent. The Bank optimized the functions of several fundamental management systems for default information and risk exposure classification process, and further increased the quality of default and risk exposure data. It vigorously deepened the application of internal ratings, saw steady increases of the automated approval rate in the retail business, continuously improved the pre-warning response efficiency, and fully supported centralized post-lending operation. The Bank optimized the measurement of risk costs and capital costs, and further refined pricing and impairment management. It accelerated the implementation of digital risk control reports at branches, and strengthened the application of risk-adjusted return on capital (RAROC) and economic value added (EVA) in the performance assessment of business lines and branches. By promoting application through competitions like labor competitions, the Bank pushed branches and sub-branches to enhance the effectiveness of applying advanced approaches for capital management.

Risk Appetite

Risk appetite is the type and level of risks that the Bank is willing to bear while pursuing its strategic business objectives, and is decided by the Board of Directors. It represents a balance among income, capital and risk, and enables the Bank to undertake the risk level compatible with its business strategies and management capabilities and to create value through risk management.

During the reporting period, the Bank upheld a prudent and sound risk appetite, closely followed changes in internal and external risk environment, focused on key risk fields, and set management objectives against all types of major risks in line with the strategic positioning adopted by the Group, the Bank and its subsidiaries. In doing so, it aimed to make sure that risks are generally under control and support the stable operation and high-quality development of all businesses across the Bank.

Implementation and Management of the Expected Credit Loss Method

The Bank further strengthened the implementation of the expected credit loss method. During the reporting period, the Bank earnestly carried out the Implementation and Management Measures of the Expected Credit Loss Method Adopted by Commercial Banks, highlighted the responsibilities of the Board of Directors and its special committees, the Board of Supervisors, senior management and relevant departments in the implementation of the expected credit loss method, and refined the implementation and governance mechanism. The Bank improved the management policy for implementation of the expected credit loss method, expanded the professional management team, continued to upgrade the information system, enhanced the accumulation of historical credit risk data as well as information collection and maintenance, hence consolidating the implementation foundation. It worked continuously on the implementation process management, including credit risk exposure grouping, stage division, model building, forward-looking adjustment, management overlay adjustment, parameter management, model validation, etc., making the implementation of the expected credit loss method more standardized and prudent.

Intelligent Risk Control

The Bank continuously promoted the digital transformation of risk management. During the reporting period, the Bank built and improved the digital risk control analysis system, and realized quantitative management of risk control throughout the whole process, hence empowering the high-quality development of businesses and significantly raising the capability of intelligent risk control. In terms of risk control for retail banking businesses, the Bank developed a proactive credit extension model, further tapped existing high-quality customers, provided instant approval and lending services, and achieved balance between risk control and customer experience. It advanced automated credit review and approval for the retail credit, cutting the workload of credit review and approval personnel at branches by more than a half and steadily improving the quality of customers. In terms of risk control for non-retail banking businesses , the Bank developed a model combining industry and region factors to evaluate portfolio risks in a forward-looking manner. Also, it developed the big data-based risk forecast model for small enterprises, effectively improving the quality and efficiency of post-lending management of small enterprise customers. In terms of intelligent compliance, the Bank significantly increased the coverage of suspicious transaction monitoring and identification accuracy, effectively enhancing the capability of anti-money laundering management. It also developed a text analysis model for consumer complaints, and built tools for automated complaint analysis, improving the efficiency of complaint management and strengthening protection of consumer rights. In anti-fraud practice, the Bank established a unified credit anti-fraud platform, and put in place a real-time prevention and control mechanism for credit fraud from scratch. In the development of the risk control system, the Bank saw its digital infrastructures come into shape, which offered fundamental support for the further development of intelligent risk control applications.

Stress Testing

The Bank continued to improve the stress testing system, systematically carried out stress testing verification and audit, and launched various stress tests on all fronts, providing effective support for coping with tail risks of major businesses and asset portfolios under extreme scenarios. During the reporting period, the Bank made active efforts to cope with the severe and complicated internal and external risk situations. It carried out comprehensive stress tests, reverse stress tests, climate risk sensitivity stress tests and special stress tests focusing on the real estate industry, and made prudent evaluation and prediction on its asset quality, profitability, capital and liquidity levels under stress scenarios. Results showed that the Bank maintained an overall strong resilience under various stress scenarios, with all types of risks under control and no significant impact on net profit and capital adequacy.

Three Lines of Defense

The Bank kept improving the mechanism of "three lines of defense" for internal control, classified major risks such as credit risk, market risk and operational risk, and incorporated all institutions and departments into the "three lines of defense".

The first line of defense refers to the operation and management departments, tier-1 and tier-2 sub-branches, and agency branches for relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and leading management departments for relevant risks, which are responsible for coordinating, supervising and reviewing the work related to risk and internal control. The third line of defense refers to the audit and the discipline inspection departments which supervise the first and second lines of defense.

Column

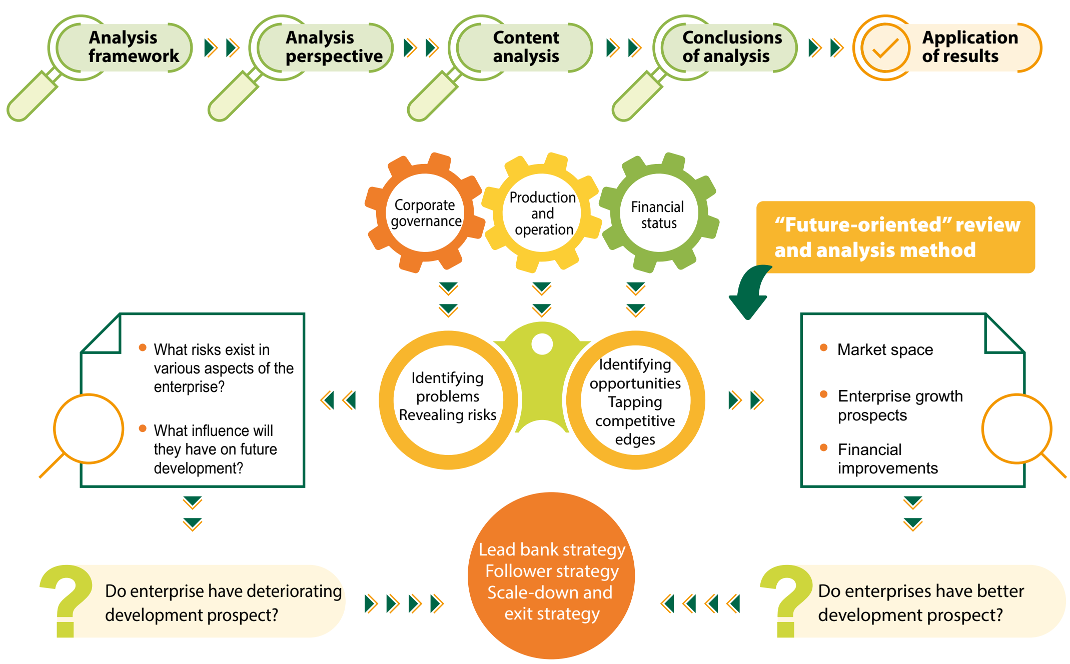
Establishing a "Future-Oriented" Full-Process Credit Extension Mechanism and Enhancing Forward-Looking Management

To make risk management more forward-looking and effective, the Bank refined the philosophy about credit operation, continuously upgraded credit review technology, and built the "future-oriented" business review model to better predict the industrial trends, growth prospects and financial sustainability of the customers, and improved the methodological guidance and instrumental support for the high-quality development of business.

First, in response to the changes in economic situations, national strategies and market environment, the Bank optimized the credit operation philosophy. On one hand, as China's economy has moved from a stage of high-speed growth to that of high-quality development, new industries and types of business such as advanced manufacturing and strategic emerging industries become key drivers of economic growth. With the gradual expansion of credit demand in emerging fields, banks need to further implement the new development philosophy, and step up support for independent innovation. On the other hand, based primarily on customer history for future forecast, traditional credit is more suitable for the industries and customers with steady development other than emerging sectors, particularly technological innovation-based enterprises that typically invest heavily in R&D and need huge funds but find their credit demands hard to meet due to light assets and lack of traditional collaterals. In terms of corporate banking businesses, basing on the new development stage, the Bank seized the chance arising from economic structure adjustment in a timely manner, paid more attention to the growth prospects of industries and enterprises by applying the "future-oriented" philosophy, and improved credit risk evaluation capability to support the building of the new pattern of development.

Second, the Bank further upgraded credit review technology by looking into both the past and future. Based on the characteristics of corporate customers and small enterprise customers, the Bank customized a "future-oriented" review model system to fully tap the core competitive edges of customers. By analyzing industrial trends, strategic plans, operation process, product competitiveness and technological strength, the model, based on the evaluation of customers' current financial conditions, improved judgment of their financial sustainability and debt repayment ability in the future and overcame the limitations of traditional credit review technology like insufficient forward-looking analysis of development opportunities and competitive edges.

Third, giving play to the leading role of the Head Office, the Bank attached great importance to and stepped up the application of "future-oriented" technologies from top to bottom. By strengthening coordination between front and middle office departments, the Bank built a whole-process "future-oriented" credit extension mechanism from front-end list leadership to middle-end model application and back-end dynamic adjustment. Using the "future-oriented" philosophy, the Bank intensified forward-looking research on key industries like integrated circuits, high-end equipment manufacturing, new materials and new energy vehicles and key areas like the Beijing-Tianjin-Hebei region, Yangtze River Delta, Pearl River Delta and Chengdu-Chongqing economic zone, refined credit extension policies, and leveraged the pioneering role of research. Meanwhile, with a focus on the 14th Five-Year Plan, the list of advanced manufacturing clusters, the list of "little giant" firms recognized as specialized and sophisticated enterprises that produce new and unique products and the list of listed companies and bond issuers, the Bank took both top-to-bottom and bottom-to-top approaches, and had the Head Office and branches and front and middle office departments work together to select core target customers and key customers in emerging industries, thereby realizing list-based leadership, precision marketing.



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Column

Intelligent Risk Control Facilitates Consumer Protection

The Bank strictly observed regulatory requirements, and made all-out efforts to perform its primary responsibility in protecting consumer rights. Aiming to improve consumers' sense of gain and satisfaction, it independently developed the auxiliary tool for consumer protection review based on natural language processing and other technologies and the model for consumer complaint text analysis. All these efforts contributed to more standardized and intelligent consumer protection review and complaint management at the Bank.

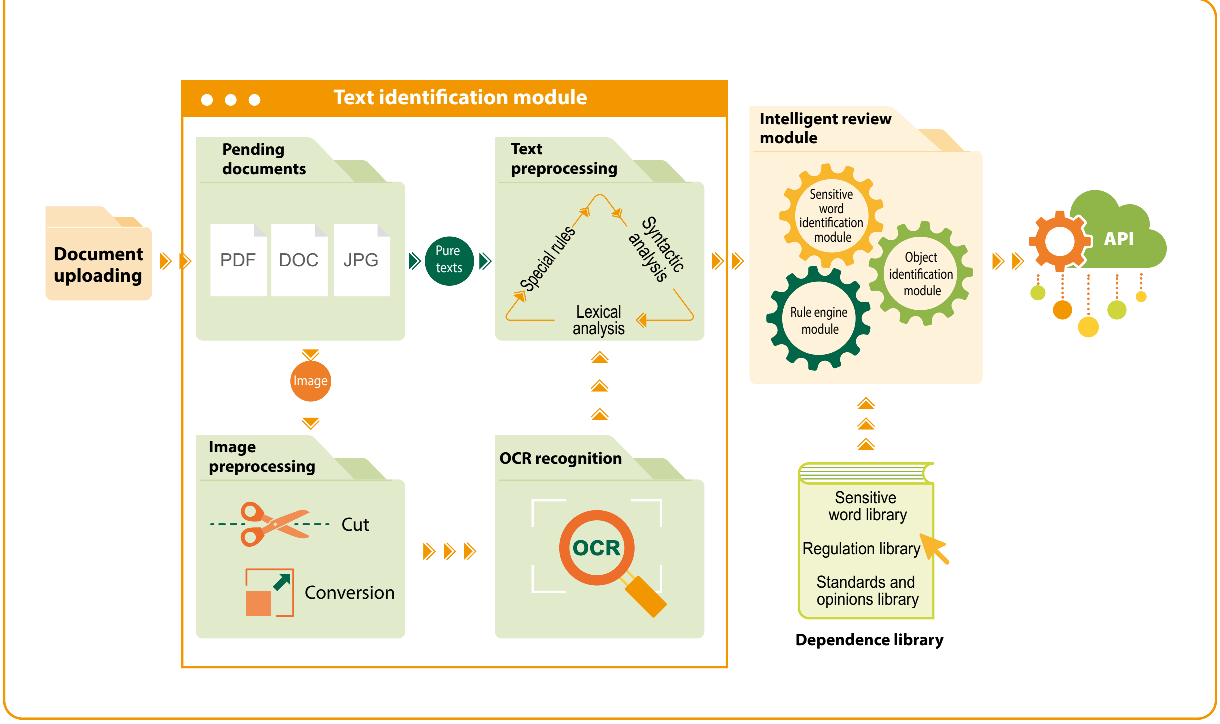
Auxiliary tool for consumer protection review

The auxiliary tool for consumer protection review is an intelligent auxiliary review tool independently developed by the Bank for various types of targets in consumer protection review, such as marketing promotion, agreement texts and announcements, to assist reviewers in effectively predicting consumer protection risks. After business personnel upload pictures, WORD, PDF and other materials to be reviewed, the tool will leverage technologies like OCR identification to process the materials into texts, conduct intelligent auxiliary review using libraries of sensitive words, regulations and standards & opinions to identify potential points of risk, and automatically provide review opinions and basis for the reference of reviewers, so as to improve the quality and efficiency of the review business.

Model for consumer complaint text analysis

By introducing the natural language processing technology, the Bank independently developed the model for consumer complaint text analysis. Targeted at the key information in complaint work sheets about complaint contents and other free texts, the model is designed to further tap the value of consumer complaint data, automatically identify hotspot issues of complaints, dynamically monitor complaint trends, effectively and quickly locate problems complained about, thus improving consumer satisfaction.

Auxiliary tool for consumer protection review



External Risks and Countermeasures

Financial Market Fluctuations

In 2022, major developed economies continued to raise interest rates and shrink their balance sheets; the momentum of global economic recovery weakened; the international financial markets fluctuated sharply; and the RMB exchange rate showed stronger flexibility in two-way movements. The policies and measures to stabilize the economy began to deliver results, with the monetary policy remaining stable and robust. The bond market ran stably, but some varieties experienced significant adjustments in the short term.

The Bank took proactive moves to cope with fluctuations in the financial market. It conducted studies and made predictions on the foreign exchange and interest rate market, carried out unified on- and off-balance sheet risk monitoring, and dynamically adjusted business strategies, and continued to keep the impact of financial market fluctuations on the Bank's risk exposure and yields of business within a reasonable range.

Real Estate

In 2022, as policy effects began to emerge, the financing environment of the real estate industry, especially for high-quality real estate enterprises, improved significantly. However, some real estate companies still faced high pressure to repay their debts, and the overall market was still recovering and varied greatly in different regions, which had a combined impact on the regional economy, taxation and residents' income.

The Bank earnestly implemented the requirements of providing financial support for the steady and healthy development of the real estate market. It closely followed the changes in the real estate industry and regional markets, pressed ahead with the five-pronged strict management, namely strict management of entities, strict region-specific management, strict management of business patterns, strict management of guarantee and strict management of fund supervision, continued to investigate customer and business risks, and strengthened dynamic monitoring and management of fund supervision accounts. Meanwhile, it provided financial support to ensure that overdue housing projects were completed and delivered. Observing the principles of market-oriented and law-based principles, the Bank cooperated with local authorities in accelerating the resumption of suspended projects, and provided quality services to mortgage borrowers.

Consumption

In 2022, consumer spending slowed a bit, the real growth rate of household consumption expenditure fell slightly, and the growth rate of housing loans and consumer loans slowed down. With the emerging effects of policies to stabilize the economy and policies to restore and expand consumption, the consumption is expected to maintain the trend of recovery. However, it will take time for the consumption capacity and willingness to rebound.

The Bank continued to increase financial support for consumption and retail banking, continuously enhanced risk management through technology empowerment, strictly controlled risks during customer onboarding and those associated with partners, accelerated overdue collections and disposal of non-performing loans, and improved the Bank's ability to manage risks of consumer credit.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating or weakened capability to fulfill contractual obligations of, an obligor or counterparty. The Bank is exposed to credit risk primarily through its loans, treasury business (including deposits and placements with banks, financial assets held under resale agreements, investments in corporate bonds and financial bonds, interbank investment, etc.) and off-balance sheet credit businesses (including guarantees, commitments, etc.).

The organizational system of the Bank on credit risk management is as follows: the Board of Directors undertakes the ultimate responsibilities for credit risk management, and the Board of Supervisors undertakes the supervisory responsibilities for credit risk management. The senior management undertakes the responsibilities for implementation of credit risk management, and is responsible for the implementation of resolutions approved by the Board of Directors on credit risk. Under the senior management, the Risk Management Committee and Credit Business Approval Committee are responsible for credit risk management and approving credits within the scope of authorization respectively. Each business department shall bear the primary responsibility for credit risk prevention and control, and implement policies, standards and requirements of credit risk management in its field of business in accordance with the division of functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management, and internal audit department exercises independent and objective supervision of the performance of duties in credit risk management.

During the reporting period, the Bank continued to ramp up credit risk management, and worked to make credit risk management more digitalized and intensive in all aspects centering on five key links, i.e. monitoring, guidance, restriction, accountability and follow-up inspection, so as to build excellent risk management capabilities and empower high-quality development of the Bank.

Column

Building a Unified Credit Extension Management System for All Customers, Products, Lifecycles and Institutions and Advancing Digital Transformation of Risk Control

With greater efforts on empowerment through science and technology, the Bank pressed ahead with the digital transformation of credit risk management, built a unified credit extension management system based on intelligent risk control, and introduced a microservices, distributed architecture. To enable intelligent, comprehensive, unified, green and real-time credit management, the Bank worked to unify credit extension, control and visuality with customers at its core, realize unified credit extension management for all customers, products, life cycles and institutions, and implement scenario-based applications of intelligent identification, intelligent control, intelligent analysis, intelligent "three inspections" and intelligent monitoring. In doing so, it took the lead in realizing digital and intelligent control over unified credit extension in the whole process, and remarkedly improved the intelligent risk control of the Bank.

Since its launch, the unified credit extension management system has covered all types of credit customers across the Bank, comprehensively supporting the development of various credit extension businesses and helping the Bank secure industry-leading asset quality.

For its outstanding performance in financial innovation and intelligent risk control, the unified credit extension management system was honored numerous prestigious awards, such as the Second Prize of the "Fintech Award" by PBOC, the "Top 10 Risk Management Innovation Award" for Chinese financial institutions by The Chinese Banker, the "Excellent Case of Digital Transformation" among Chinese listed companies, the "Business Innovation Expert Award" by Financial Computerizing, the "Science and Technology Award 2022" by China Post Group, "PSBC Excellent Information Project 2021" and "PSBC Science and Technology Innovation Award 2021".

Credit Risk Management

Strengthening industry policy research and empowering high-quality development

The Bank continuously optimized its credit extension policy, built and improved the working mechanism for industry research, and vigorously promoted the application of research results to serve the high-quality development of real economy. It optimized consumer finance products and services, supported consumption of major commodities like new-energy vehicles and green home appliances, and provided credit support for new-type consumption and service consumption. The Bank channeled more financial resources to medium and high-end manufacturing, and further increased the supply of middle and long-term loans with a focus on key fields like advanced manufacturing, strategic emerging industries, and the transformation and upgrade of traditional industries. It supported major science and technology tasks by creative means, and better served enterprises working to make breakthroughs in core technologies in key fields as well as specialized and sophisticated enterprises that produce new and unique products. Meanwhile, the Bank provided more support to programs which shore up weak links in areas that are important to people's livelihood such as water conservancy, transportation, pipeline network, and municipal infrastructure, new types of infrastructure such as 5G, industrial internet, and data centers, and new-energy projects such as large wind power and photovoltaic (PV) bases, whole-county distributed PV projects, etc. It also ramped up financial support for green development, scientific and technological innovation, rural revitalization, private economy, digital economy, modern services, among other fields. In addition, the Bank adhered to the principle that "housing is for living in, not for speculation" in mind, adopted city-specific credit policies with differentiation and ensured that overdue housing projects were completed and delivered to meet people's basic living needs and social stability and meet the reasonable financing demand in the real estate market.

Improving systems and mechanisms to reinforce the foundation for risk control

The Bank improved the integrated monitoring and early warning system, achieved full coverage of group clients, corporate and individual customers in the credit business across the Bank, and enhanced the capability of early detection, early warning and early disposal. It standardized the fraud risk management for credit extension businesses, adjusted and optimized credit extension to small enterprises in the retail business, and supported proactive credit extension to individual customers. The Bank put in place a unified mechanism for managing retail credit partners, and stepped up management of collateral evaluation agencies. Also, it enhanced joint risk prevention and control for asset quality to cement the foundation for asset quality across the Bank, and perfected the asset preservation policy system to promote standard operation of asset preservation.

Focusing on key areas and strengthening problem follow-up inspections

The Bank dynamically tracked risks in key areas, and completed special investigations on real estate credit projects, projects with suspended construction or loan extension, uncompetitive state-owned enterprises, local government debts, internet lending partners, concentration of non-performing retail credit, ESG and climate risks, and collateral overvaluation. The Bank kept a close eye on customers with large credit exposures, introduced list-based management, and established a unified asset quality management system with layered implementation, customer-specific policies and forward-looking risk prevention and control, to facilitate the mitigation of risks. Also, the Bank refined the follow-up inspection mechanism, carried out follow-up inspection of the whole process and risk characteristics centering on the business with problems and risk exposures, and conducted assessment on the effectiveness of duty performance and the standardization of management in key areas.

Accelerating NPA disposal and improving disposal quality and efficiency

In 2022, the Bank carried out a campaign themed "silt removal to reinforce the dike", in which it further intensified efforts in NPA disposal, and enhanced the efficiency and professional capability of NPA disposal in key businesses. As at the end of the reporting period, the Bank disposed of a total of RMB53,313 million of on- and off-balance-sheet principal and interest on non-performing loans, representing a year-on-year increase of 34.24%, among which, RMB23,403 million of principal and interest was from cash collection, RMB16,779 million of principal and interest from bad debt write-offs, RMB5,725 million of principal and interest from disposal of NPA by way of settling debts with assets, RMB7,396 million by NPA securitization, and RMB10 million from restructuring and true-up adjustment.

Promoting digital transformation to boost risk control efficiency

The Bank built a comprehensive, whole-process, proactive, forward-looking and targeted intelligent credit risk monitoring and early warning system, pushed forward the development of a green finance big data platform and intelligent monitoring and inspection functions for retail credit, and continued to promote paperless credit business, to make risk management more intelligent, intensive and asset-light. Leveraging the "Jinjing" (Gold Eye) credit risk monitoring system, "Jindun" asset quality management system, and guarantee management system, the Bank stepped up digital credit management in all aspects. Also, it put into operation the front-end system for the fiscal monitoring platform to enable instant query of local government debt information and help local governments with risk prevention and control.

Credit Risk Analysis[1]

Non-Performing Loans Structure by Collateral

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)[1]	Amount	Percentage (%)[1]
Unsecured loans	19,858	32.70	13,862	26.31
Guaranteed loans[2]	8,158	13.43	8,146	15.46
Loans secured by mortgages[2][3]	31,206	51.38	24,277	46.08
Loans secured by pledges[2][4]	1,514	2.49	6,390	12.13
Discounted bills	–	–	10	0.02
Total	60,736	100.00	52,685	100.00

Note (1): Calculated by dividing the balance of non-performing loans secured by each type of collateral by total non-performing loans.

Note (2): Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of collateral, the classification would be based on the primary form.

Note (3): Represents loans secured by assets that are still under the possession of the borrower, and mainly includes loans secured by buildings and fixtures, land use rights, machinery, equipment and vehicles.

Note (4): Represents loans secured by possession of or registration as the holder of assets, which mainly include moveable property, certificates of deposit, financial instruments, intellectual property rights and the rights to obtain future cash flows.

Aging Analysis of Overdue Loan Structure

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for 1 to 90 days	25,237	0.35	18,294	0.28
Overdue for 91 to 180 days	11,744	0.16	10,289	0.16
Overdue for 181 days to 1 year	12,566	0.18	11,440	0.18
Overdue for 1 to 3 years	12,574	0.18	11,936	0.19
Overdue for over 3 years	6,031	0.08	5,400	0.08
Total	68,152	0.95	57,359	0.89

1 The total loans to customers in the "Credit Risk Analysis" section in this report exclude accrued interest.

Overdue Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	5,898	8.65	4,200	7.32
Yangtze River Delta	12,126	17.79	10,038	17.50
Pearl River Delta	7,123	10.45	5,503	9.60
Bohai Rim	7,387	10.84	7,320	12.76
Central China	16,259	23.86	14,082	24.55
Western China	15,028	22.05	12,533	21.85
Northeastern China	4,331	6.36	3,683	6.42
Total	68,152	100.00	57,359	100.00

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)	Percentage of net capital (%)(1)
Borrower A(2)	Transportation, storage and postal services	165,659	2.30	16.50
Borrower B	Transportation, storage and postal services	16,713	0.23	1.66
Borrower C	Transportation, storage and postal services	13,660	0.19	1.36
Borrower D	Transportation, storage and postal services	13,156	0.18	1.31
Borrower E	Transportation, storage and postal services	12,366	0.17	1.23
Borrower F	Transportation, storage and postal services	12,112	0.17	1.21
Borrower G	Transportation, storage and postal services	10,540	0.15	1.05
Borrower H	Leasing and business services	10,097	0.14	1.01
Borrower I	Manufacturing	9,850	0.14	0.98
Borrower J	Transportation, storage and postal services	8,368	0.12	0.83

Note (1): Represents loan balances as a percentage of the Bank's net capital, calculated in accordance with the requirements of the Capital Rules for Commercial Banks (Provisional).

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the customer with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB165,659 million, accounting for 16.50% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB149 billion. After deduction of this RMB149 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.66% of the Bank's net capital.

Distribution of Loans by Five-Category Classification

In millions of RMB, except for percentages

Item	December 31, 2022 Amount	December 31, 2022 Percentage (%)	December 31, 2021 Amount	December 31, 2021 Percentage (%)
Normal	7,089,573	98.60	6,351,658	98.71
Special mention	40,067	0.56	30,410	0.47
Non-performing loans	60,736	0.84	52,685	0.82
Substandard	20,415	0.28	15,242	0.24
Doubtful	15,739	0.22	11,954	0.18
Loss	24,582	0.34	25,489	0.40
Total	7,190,376	100.00	6,434,753	100.00

As at the end of the reporting period, the Bank's non-performing loan balance amounted to RMB60,736 million, representing an increase of RMB8,051 million compared with the prior year-end. The non-performing loan ratio was 0.84%, representing an increase of 0.02 percentage point compared with the prior year-end. The balance of special mention loans amounted to RMB40,067 million, representing an increase of RMB9,657 million compared with the prior year-end. Special mention loan ratio was 0.56%, representing an increase of 0.09 percentage point compared with the prior year-end. The ratio of special mention and non-performing loans was 1.40%, representing an increase of 0.11 percentage point compared with the prior year-end.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	December 31, 2022 Non-performing loan balance	December 31, 2022 Percentage (%)	December 31, 2022 Non-performing loan ratio (%)(1)	December 31, 2021 Non-performing loan balance	December 31, 2021 Percentage (%)	December 31, 2021 Non-performing loan ratio (%)(1)
Personal loans						
Consumer loans						
Residential mortgage loans	12,878	21.20	0.57	9,410	17.86	0.44
Other consumer loans	9,913	16.32	2.14	7,646	14.51	1.55
Personal micro loans	19,203	31.62	1.70	15,274	28.99	1.67
Credit card overdrafts and others	3,541	5.83	1.95	2,894	5.50	1.66
Subtotal	45,535	74.97	1.13	35,224	66.86	0.94
Corporate loans						
Corporate loans(2)	8,883	14.63	0.47	12,642	24.00	0.78
Small business loans	5,039	8.30	1.12	4,643	8.81	1.30
Trade finance	1,279	2.10	0.38	166	0.31	0.06
Subtotal	15,201	25.03	0.57	17,451	33.12	0.78
Discounted bills	–	–	–	10	0.02	0.00
Total	60,736	100.00	0.84	52,685	100.00	0.82

Note (1): Calculated by dividing the balance of non-performing loans in each product type by total loans in that product type.

Note (2): Consist of general corporate loans and advances.

As at the end of the reporting period, the balance of the Bank's non-performing personal loans amounted to RMB45,535 million, up by RMB10,311 million compared with the prior year-end; and the NPL ratio of personal loans was 1.13%, up by 0.19 percentage point compared with the prior year-end. The balance of non-performing corporate loans amounted to RMB15,201 million, down by RMB2,250 million compared with the prior year-end; and the NPL ratio of corporate loans was 0.57%, down by 0.21 percentage point compared with the prior year-end.

Distribution of NPL Formation Ratio[1] by Product Type

%

Item	December 31, 2022	December 31, 2021	Increase/ (decrease)
Personal loans			
Consumer loans			
Residential mortgage loans	0.41	0.26	0.15
Other consumer loans	3.07	2.11	0.96
Personal micro loans	1.80	1.55	0.25
Credit card overdrafts and others	3.34	2.59	0.75
Subtotal	1.24	0.92	0.32
Corporate loans			
Corporate loans[2]	0.13	0.10	0.03
Small business loans	1.21	1.31	(0.10)
Trade finance	0.41	0.03	0.38
Subtotal	0.34	0.28	0.06
Discounted bills	–	–	–
Total	0.82	0.60	0.22

Note (1): Calculated by dividing the sum of difference between the NPL balance at the end of the period and the NPL balance at the beginning of the period of each product category and the amount collected and disposed of during the period by the total amount of loans at the beginning of the period of that product category.

Note (2): Consist of general corporate loans and advances.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

	December 31, 2022		December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	3,543	5.83	2,898	5.50
Yangtze River Delta	10,830	17.83	7,842	14.89
Pearl River Delta	5,926	9.76	4,991	9.47
Bohai Rim	6,374	10.49	7,424	14.09
Central China	16,164	26.62	14,420	27.37
Western China	13,801	22.72	11,660	22.13
Northeastern China	4,098	6.75	3,450	6.55
Total	60,736	100.00	52,685	100.00

Domestic Non-Performing Corporate Loans by Industry

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Non-performing loan ratio (%)	Amount	Non-performing loan ratio (%)
Transportation, storage and postal services	2,272	0.29	7,480	1.06
Manufacturing	3,261	0.80	4,259	1.30
Production and supply of electricity, heating, gas and water	231	0.09	171	0.07
Financial services	–	–	–	–
Wholesale and retail	3,039	1.70	3,415	2.63
Construction	641	0.41	574	0.48
Real estate	3,059	1.45	22	0.02
Mining	12	0.02	9	0.01
Water conservancy, environmental and public facilities management	489	0.38	436	0.39
Leasing and business services	917	0.62	477	0.35
Agriculture, forestry, animal husbandry and fishery	807	5.57	170	1.54
Information transmission, computer services and software	70	0.55	62	0.67
Accommodation and catering	153	3.64	134	3.67
Residential services and other services	67	1.89	72	1.95
Culture, sports and entertainment	43	0.35	36	0.45
Others[(1)]	140	0.46	134	0.58
Total	15,201	0.57	17,451	0.78

Note (1): Mainly include education, scientific research and technical services, health and social security, etc.

As at the end of the reporting period, due to the risk exposures of a few large corporate customers, the NPL ratio from real estate, leasing and business services, agriculture, forestry, animal husbandry and fishery industries increased. The balances and ratios of non-performing corporate loans from transportation, storage and postal services, manufacturing and wholesale and retail all decreased.

Movements of Allowance for Impairment Losses on Loans

Allowance for Impairment Losses of Customer Loans at Amortized Cost

In millions of RMB

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Item	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance as at January 1, 2022	161,623	7,478	47,799	216,900
Transfers:				
Transfer to stage 1	1,219	(889)	(330)	–
Transfer to stage 2	(2,794)	4,820	(2,026)	–
Transfer to stage 3	(5,983)	(1,619)	7,602	–
Changes of ECL arising from transfer of stages	(688)	2,800	28,712	30,824
Financial assets derecognized or settled during the period	(88,411)	(3,295)	(12,461)	(104,167)
New financial assets originated or purchased	95,152	–	–	95,152
Remeasurement	9,793	(208)	1,206	10,791
Write-offs	–	–	(16,777)	(16,777)
Loss allowance as at December 31, 2022	169,911	9,087	53,725	232,723

Allowance for Impairment Losses of Customer Loans at Fair Value Through Other Comprehensive Income

In millions of RMB

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Item	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance as at January 1, 2022	3,477	156	10	3,643
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	(1)	–	1	–
Changes of ECL arising from transfer of stages	–	–	167	167
Financial assets derecognized or settled during the period	(3,477)	(156)	(8)	(3,641)
New financial assets originated or purchased	1,255	–	–	1,255
Remeasurement	–	–	–	–
Write-offs	–	–	(2)	(2)
Loss allowance as at December 31, 2022	1,253	1	168	1,422

Large Exposure Management

In strict accordance with the requirements of Rules on Large Exposure of Commercial Banks, the Bank bolstered information system support for large risk exposure management, improved the monitoring and early warning management system for large exposure, strengthened control of customer concentration risk, and tightened management of large exposure through consolidation of financial statements, to continuously improve refined management capabilities of credit risk.

Market Risk

Market risk refers to the risk of losses in banks' on- and off-balance sheet businesses arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price). The major market risks that the Bank is exposed to include interest rate risk and exchange rate risk (inclusive of gold). The Bank built and improved the market risk management policy system, actively adapted to changes in external markets, worked constantly to refine the management of market risks, focused on core businesses and key risk management procedures and processes, and enhanced risk control in the treasury business. During the reporting period, the Bank saw market risks generally under control.

Classification of Trading Book and Banking Book

The Bank classifies on- and off-balance sheet assets and liabilities into banking book and trading book. The trading book includes financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management for Trading Book

The Bank manages the market risk of trading book by adopting multiple methods including sensitivity analysis, exposure analysis, profit or loss analysis, limit management, and stress testing.

During the reporting period, the Bank proactively tackled changes in market environment, strengthened the monitoring and prediction of fluctuations of core risk factors, proactively conducted investigation and analysis of the impact of external risk events, and carried out emergency management in a timely manner. It optimized the model for measuring market risks, completed the comprehensive validation of the internal model approach for market risks, studied and evaluated the impact of application of the new approach for market risks on its businesses, and reinforced the capability of quantitative market risk management. Centering on key products, the Bank further optimized the market risk limit system, and improved the limit control mechanism. Also, it conducted risk screening and evaluation of key procedures of trading business, intensified monitoring of trading behaviors, and deepened risk management in key areas of the treasury businesses.

Market Risk Management for Banking Book

Management of Interest Rate Risk in Banking Book

Interest rate risk refers to the risk that cause losses to the economic value of books and overall earnings of banks due to adverse changes in interest rate and maturity structure, etc. The interest rate risk in the Bank's banking book mainly arises from the mismatch between the repricing periods of assets and liabilities as well as the inconsistent changes in their pricing basis.

The Bank mainly carried out management of interest rate risk in the banking book through repricing gap analysis, net interest income and economic value sensitivity analysis, limit management, duration management, stress testing and proactive adjustment of asset-liability structure. During the reporting period, it paid close attention to changes in the market interest rate environment, strengthened the dynamic monitoring and analysis of interest rate risk, and fully carried out special stress tests. It flexibly adjusted risk limits for key businesses, pushed ahead with the digital transformation of interest rate risk, intensified the automatic control of its risk limit system, and continued to improve the refined and intelligent interest rate risk management. During the reporting period, the overall interest rate risk of the Bank's banking book remained stable, and all risk indicators met the regulatory requirements.

Interest Rate Risk Analysis

Interest Rate Risk Gap

In millions of RMB

Item	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
December 31, 2022	(333,680)	(796,275)	(831,211)	473,069	1,559,012	654,885
December 31, 2021	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174

Interest Rate Sensitivity Analysis

We assume that the market interest rates move up or down in parallel, the repricing cycles of loans, time deposits and other businesses are determined according to the contract and the repricing cycles of non-fixed-term businesses such as demand deposits are set as overnight. Regardless of the risk management activities that may be taken by the management to mitigate interest rate risk, the interest rate sensitivity analysis of the Bank's banking book is as follows:

In millions of RMB

	December 31, 2022	December 31, 2021
Basis point movements in yield rate	(Decrease)/Increase in net interest income	(Decrease)/Increase in net interest income
Upward parallel shift of 100 bps for yield curves	(13,148)	(13,773)
Downward parallel shift of 100 bps for yield curves	13,148	13,773

Exchange Rate Risk Management

Exchange rate risk refers to the risk of losses in foreign exchange exposure arising from unbalanced foreign exchange assets and liabilities due to adverse movements in exchange rates. During the reporting period, due to the redemption of USD7.25 billion preference shares upon maturity, the foreign exchange exposure of the Bank was significantly reduced. Relevant indicators of exchange rate risk met regulatory requirements, and the exchange rate risk was controllable on the whole.

During the reporting period, the Bank paid close attention to the international economic and financial situations, actively studied and judged exchange rate fluctuations, and dynamically monitored, analyzed and timely adjusted risk limit indicators related to foreign exchange exposures. It fully carried out special stress tests, and explored the active management approaches for foreign exchange exposure, so as to ensure that the exchange rate risk of the Bank is within an acceptable range.

Exchange Rate Risk Analysis

For analysis of the Bank's exchange rate risk, please refer to "Notes to the Consolidated Financial Statements – 45.4 Market risk (continued) Foreign exchange rate risk".

Currency Concentration

In millions of RMB

Item	December 31, 2022 USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	78,939	854	6,581	86,374
Spot liabilities	(40,886)	(242)	(1,034)	(42,162)
Forward purchases	35,823	1,376	480	37,679
Forward sales	(49,599)	(1,407)	(6,218)	(57,224)
Net long/(short) position	24,277	581	(191)	24,667

Item	December 31, 2021 USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	197,842	937	10,371	209,150
Spot liabilities	(47,179)	(85)	(989)	(48,253)
Forward purchases	169,010	3	2,352	171,365
Forward sales	(252,357)	(331)	(12,017)	(264,705)
Net long/(short) position	67,316	524	(283)	67,557

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations and meet other financial needs of normal operation. Liquidity risk of the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by borrowers, overdue payment of debtors, excessive maturity mismatch, difficulties in liquidating assets, and weakening in financing ability, etc.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the systems for decision making, execution and monitoring. Among them, the decision-making system includes the Board of Directors and the Risk Management Committee under it, the senior management of the Head Office and the Asset and Liability Management Committee and Risk Management Committee under it; the execution system comprises the department responsible for liquidity management, leading management departments of on- and off-balance sheet businesses, Risk Management Department, Information Technology Department and Operation Management Department of the Head Office, and relevant departments of branches and sub-branches; the monitoring system consists of the Board of Supervisors, the Audit Department, and departments responsible for legal affairs and compliance, etc.

Strategy and Policy of Liquidity Risk Management

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management system, and to ensure the liquidity demand is satisfied and its payment obligation to external parties fulfilled promptly under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy to strike a balance between fund sources and utilization in terms of their amount, maturities, and structure. The Bank, in accordance with regulatory requirements, external macro-environment as well as the characteristics of its business, formulates liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing, and contingency plans, manages the liquidity risk of the Bank in a centralized manner and clarifies that the subsidiaries assume primary responsibilities for their liquidity risk management. The Bank pays close attention to changes in macroeconomic situation, follows the trend of the monetary policies, closely monitors market liquidity conditions and strictly enforces liquidity risk limits to effectively maintain balance among safety, liquidity and profitability.

Liquidity Risk Stress Testing

The Bank performs liquidity risk stress testing every quarter to test the risk tolerance under stress scenarios and constantly improves stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable, as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of qualified high-quality bonds. Its overall liquidity position was sufficient, safe, and under control. As at the end of the reporting period, the liquidity ratio of the Bank was 73.87%; the liquidity coverage ratio was 250.86%; and the net stable funding ratio was 169.97%, all meeting the regulatory requirements.

Liquidity Gap Analysis

Net Position of Liquidity

In millions of RMB

Item	Overdue	Repayable on demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
December 31, 2022	15,586	(4,005,155)	(541,711)	(1,319,928)	(935,554)	1,948,002	4,357,384	1,207,176	725,800
December 31, 2021	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867

Liquidity Coverage Ratio

In millions of RMB, except for percentages

Item	December 31, 2022	December 31, 2021
High-quality liquid assets	2,601,067	2,337,935
Net cash outflow for the next 30 days	1,036,868	940,684
Liquidity coverage ratio (%)	250.86	248.54

Net Stable Funding Ratio

In millions of RMB, except for percentages

Item	December 31, 2022	September 30, 2022	June 30, 2022
Total available stable funding	12,035,369	11,630,869	11,567,221
Total required stable funding	7,080,701	6,849,658	6,817,833
Net stable funding ratio (%)	169.97	169.80	169.66

The net stable funding ratio (NSFR) is introduced to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of all types of assets and off-balance sheet risk exposures. According to the minimum regulatory standard set by the Rules on Liquidity Risk Management of Commercial Banks, NSFR should be no less than 100% from July 1, 2018.

The formula for calculating the NSFR is:

Net stable funding ratio = available stable funding (ASF)/required stable funding (RSF) x 100%

Available stable funding refers to the sum of the book value of a commercial bank's all types of capital and liability items multiplied by their corresponding ASF coefficients. Required stable funding refers to the sum of the book value of a commercial bank's all types of asset items and off-balance sheet exposures multiplied by their corresponding RSF coefficients.

Operational Risk

Operational risk refers to the risk resulting from inadequate or problematic internal procedures, employees and IT systems, or from external events. The operational risks which the Bank may be exposed to mainly include internal fraud, external fraud, employment rules and workplace safety, customers, products and business activities, damage to physical assets, IT systems, as well as execution, delivery and process management. During the reporting period, the Bank's operational risk and operational risk loss ratio were kept at a relatively low level.

The Bank comprehensively advanced the transformation and upgrade of operational risk management, and continuously improved the operational risk management system. It continued to improve the quality and efficiency of the normal application of operational risk management tools across the Bank, completed the annual self-assessment of operational risk and control, further optimized the system of key operational risk indicators, implemented standardized collection of data on operational risk events and losses, and completed the cleaning of historical loss data, to consolidate the foundation for operational risk management and refine operational risk management. The Bank worked towards the digital transformation of operational risk in all aspects, vigorously implemented the regular feedback mechanism, extensively collected suggestions on system optimization, and worked to make the operational risk management system more intelligent. Meanwhile, it valued the building of a talent team dedicated to operational risk management, and offered training on operational risk management at different levels, to continuously improve operational risk management across the Bank. It also advanced the regular implementation of operational risk management tools at agency outlets, to enhance the quality and efficiency of operational risk management.

Legal Risk

Legal risk refers to the risk of commercial banks suffering from adverse legal consequences including legal liabilities, loss of rights and reputational damage due to violation of laws and regulations or terms of contract of its business operations, non-compliance with laws and breach of contracts by others including the counterparty to the contract, and significant changes in the external legal environment. During the reporting period, the Bank's legal risk was manageable in general.

The Bank continued to improve the legal risk management system, and enhanced the capability for legal risk management, prevention and control. It actively prepared legal review guidelines, promoted the standardization of legal review opinions and standardized contract texts, and constantly conducted legal reviews in a more professional and standardized manner. The Bank stepped up litigation management, intensified study and analysis of winning cases, and worked to improve the capabilities of branches at all levels to safeguard rights and mitigate risks. It strengthened authorization management, optimized annual authorization and further refined authorization management. It tightened intellectual property management, and encouraged scientific and technological innovation, to facilitate the creation, use and protection of intellectual property rights. The Bank also perfected the construction of the lawyer pool, and standardized the management of outside counsels and in-house counsels. It optimized the legal affairs work system and the legal affairs work platform, and increased the technological support for legal risk prevention and control. It also actively carried out law popularization to improve the legal competency of all employees.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of failure to comply with laws, regulations and rules. During the reporting period, the Bank constantly enhanced the compliance awareness of employees. The foundation for compliance management was effectively strengthened and the results of regulatory evaluation continued to improve. The Bank maintained its business operation in compliance with laws and regulations, and sustained the momentum of steady development, with the overall compliance risk under control.

The Bank continued to improve the compliance management mechanism, kept advancing the compliance review of new systems, new products and new businesses, with a focus on forestalling and mitigating compliance risks from the source, and took the compliance review as an essential requirement for the formulation of rules and regulations, the decision-making of significant events, the operation of major projects and other business management behaviors. Aligned with the requirements on the digital transformation of risk control, the Bank, leveraging its knowledge management system, procured legal databases and advanced the building of a unified knowledge base for internal and external regulations to promote the quality and efficiency of compliance review. Also, the Bank carried out sorting and re-examination of policies in an all-round way to build a unified policy tree across the Bank, and tightened the management of system lifecycles to make the Bank's policies more scientific and standard. It followed up with the latest changes in relevant laws, rules and guidelines of regulatory authorities as well as the Bank's internal policies in real time, compiled and issued regulatory trends and risk tips, made interpretation of new policies and regulations, and strengthened compliance risk monitoring.

Anti-Money Laundering

Money laundering risk refers to the risk arising from illegal activities such as money laundering, terrorist financing and proliferation financing caused by the use of business and products by illegal criminals. With a consistent focus on empowering AML practice through information technologies, the Bank worked further to make the management of money laundering risk more digitalized and intensive. Centering on core tasks including customer due diligence, money laundering risk assessment and control, and suspicious transaction monitoring and analysis, the Bank improved the mechanism for AML management, enhanced the capability in performing its AML duty, and comprehensively improved the management of money laundering risk across the Bank. During the reporting period, the Bank had no major money laundering risk events, and the money laundering risk was overall under control.

In strict compliance with AML laws and regulations, the Bank upheld the risk-based AML management concept, and sincerely fulfilled its legal obligations and social responsibilities concerning AML. It introduced unified and standard policies regarding the management and control of customer related money laundering risk, and refined the management and control strategies of customer-related money laundering risk for business lines, so as to strengthen the management of customer-related money laundering risk. The Bank completed the first self-assessment of money laundering risk based on the new regulatory rules, established the policies and mechanisms for assessing the money laundering risk associated with new products and new businesses, worked out and improved the list of money laundering risk assessment that covered all products, services and channels, and further stepped up the management of sanction compliance risk. It initially established the lifecycle management mechanism of AML suspicious transaction monitoring model, continued to optimize the suspicious transaction monitoring model system, strengthened the quality management of suspicious transaction analysis, and constantly improved the value of suspicious transaction reports. Also, the Bank advanced the development of the new generation AML system and launched and put all features into trial operation. The new system proved to be quite adequate in business process, system structure, functions, user experience, data quality and whole-lifecycle model management, etc.

Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural and human factors, technological loopholes and management flaws when applying information technology. During the reporting period, the operation of the Bank's information systems was overall stable, with no material security incident found, and various monitoring indicators of information technology risk were within a reasonable range.

Guided by its IT Planning for the 14th Five-Year Plan period, the Bank sped up the building of its technological capability. It pressed ahead with the three-stage campaign to upgrade IT risk management, and promoted coordination between the Head Office and branches, to significantly improve the overall prevention and control of IT risk. It ramped up support for infrastructure operation and maintenance, increased efforts in operation and maintenance control, and pushed for a higher level of automated and intelligent operation and maintenance. Also, the Bank drove the implementation of its cyber safety plan, increased protection of key IT infrastructures, improved the technological means for safety protection, worked earnestly on cyber safety review and prediction, and earnestly implemented the requirements concerning data safety and personal financial information protection. It provided a stronger support to ensure safe IT system operation, and carried out special emergency response drills to continuously improve the capability in emergency response.

Reputational Risk

Reputational risk refers to the risk resulting from negative comments by stakeholders, the public, the media and other parties due to the Bank's institutional behaviors, employees' behaviors or external events, etc., which damages the brand value, adversely affects normal operations, and even affects market and social stability. During the reporting period, public opinions about the Bank remained overall positive, and no major reputational incident occurred.

Upholding the reputational risk management concept of "addressing both symptoms and root causes, with a focus on root causes", the Bank further strengthened the coordinated management of reputational risk and other types of risk, and continuously improved the professional competency in reputational risk management. It pressed ahead with the management of reputational risk at earlier stages, and carried out comprehensive screening of reputational risk, with improvements in both the depth and width of screening. It conducted in-depth analysis of hidden reputational risk before taking targeted steps for control, cementing the foundation for reputational risk management across the Bank. It steadily implemented the ex ante reputational risk evaluation mechanism, progressively expanded the scope of items to be evaluated, and exercised further management and control over reputational risk from the source. It continued to utilize information technology to improve the quality and effectiveness of reputational risk management, and constantly upgraded system functions, to give full play to the role of science and technology in supporting management. Moreover, the Bank improved the closed-loop management mechanism of reputational events, and responded to and handled public opinions in a timely and effective manner. It organized experts to air professional views on a regular and institutional basis, closely followed hot social issues from an industrial perspective, and played a positive role in conveying accurate information to the public, shoring up market confidence and maintaining industrial stability. Through moves like conveying and learning the guiding principles of the 20th National Congress of the CPC, serving rural revitalization, financing micro and small-sized enterprises, supporting real economy, serving major national strategies, developing green finance, promoting the building of China into a manufacturing power, facilitating steady and increased grain production, helping new citizens merge into urban life, improving elderly-oriented services and protecting consumer rights, the Bank sent its voices actively and effectively, continued to better communicate PSBC stories, so as to improve its brand image and accumulate reputation capital.

Strategic Risk

Strategic risk refers to the risk of adverse impact on the Bank's profitability, capital, reputation, market status, etc., arising from improper business and management strategies, deviations in strategy implementation or failure to respond to changes in the external environment in a timely manner. During the reporting period, the Bank continued to enhance its strategy implementation, and the management and control system for strategic risks was continuously improved. The strategic risk was generally under control.

The Bank comprehensively assessed the implementation of strategies, fully identified, assessed and monitored various risk factors during the implementation of strategies, and increased the effectiveness of strategy management. The Bank strengthened strategic research in an all-round way focusing on macroeconomic situations and the development trends of the banking industry, advanced transformation and development, and gave full play to the supporting role of strategic decision-making. Meanwhile, adhering to its strategic positioning as a retail bank, the Bank expediated the transformation and upgrade of wealth management, deepened the empowerment through fintech, unlocked endogenous development momentum through product and service innovation, worked to build differentiated and distinctive competitive edges, and continuously enhanced the capability in creating values.

Country Risk

Country risk refers to the risk of the inability or refusal of the borrowers or debtors of a country or region to repay their debts owed to the bank, or commercial benefit loss suffered by the bank in that country or region due to changes and incidents occurred in its economy, politics and society. During the reporting period, the Bank's country risk exposure mainly concentrated in low-risk countries or regions, and country risk was generally controllable.

In strict compliance with country risk management requirements, the Bank continuously advanced the building of the country risk management system, and managed country risk through a series of management instruments such as country risk rating, limit control, exposure measurement and monitoring. In the face of the complicated international economic situations, the Bank continued to track the changes in country risks of all countries or regions, updated country risk ratings and limits in time, and regularly monitored and reported the implementation of country risk limit and changes in country risk exposure, thus effectively controlling country risk.

Climate Risk

Climate risk refers to the potential adverse effects of climate change on the natural system and the economic and social system, mainly including physical risks and transition risks. Among them, physical risk refers to the risk of events such as climate anomalies and environmental pollution that may lead to severe damage to the balance sheets of enterprises, households, banks, insurance companies and other market entities, which in turn affects the financial system and the macro economy. Transition risk refers to the risk of repricing of high-carbon assets and financial losses due to significantly tightening of relevant policies such as carbon emissions or technological innovations, in order to address climate change and promote low-carbon economic transformation.

The Bank incorporated environmental and climate risks into its comprehensive risk management system, and controlled them as important risks. It actively implemented regulatory requirements, formulated and issued management measures for ESG risk, incorporated environmental and climate risks into the whole process management in terms of risk policy, risk limit, credit policy, customer rating, review and approval, disbursement management and post-lending management, and prevented ESG and climate risks, in a bid to enhancing its ESG performance. The Bank carried out stress tests of climate risk sensitivity for eight industries, including electric power, steel, building materials, petrochemical, chemicals, papermaking, civil aviation and non-ferrous metal smelting, to analyze default situation resulted from rising cost in high-carbon industries after the introduction of carbon cost, and its effect on the Bank's asset quality and capital adequacy. The test results showed that under the stress scenario, the credit risk of some high-carbon customers increased, but the impact on the Bank's capital adequacy level was generally controllable. The Bank utilized the "Jinjing" (Gold Eye) credit risk monitoring system to strengthen digital empowerment and technology application and deepen environmental and climate risk management. It has conducted ESG and climate risk inspections for six consecutive years. During the reporting period, special investigation was conducted on areas with high energy consumption and high emissions to find out the real situation, handle them by category, and prevent and mitigate potential risks. It also actively supported the green and low-carbon transformation and development of traditional industries to support their reasonable financing needs. It resolutely implemented the one-vote veto system for environmental assessment and resolutely curbed energy-intensive projects with high emissions and backward production capacity. The Bank strictly controlled the proportion and growth rate of loans granted to industries with high energy consumption, high pollution and over-capacity[1]. As at the end of the reporting period, the Bank's outstanding corporate loans granted to industries with high energy consumption, high pollution and over-capacity amounted to RMB57,103 million, accounting for 2.14% of total corporate loans, down 0.10 percentage point over the prior year-end. Furthermore, the Bank advanced carbon accounting for corporate customers in an orderly manner and completed carbon accounting for 2,182 corporate customers. It accelerated the digital transformation of green finance, advanced the development of "Green Credit Services Based on Big Data Technology", a pilot project of the comprehensive application of financial data of the PBOC, and strengthened environmental and climate risk management.

1 For the classification of industries with high energy consumption, high pollution and over-capacity, please refer to the Notice of the General Office of the China Banking Regulatory Commission on Issuing Key Evaluation Indicators for the Implementation of Green Credit (Yin Jian Ban Fa [2014] No. 186).

Risk Consolidated Management

Risk consolidated management refers to the continuous improvement of the comprehensive risk management framework of the Group and its subsidiaries, and the management process of effectively identifying, measuring, monitoring and controlling the overall risk of the Bank Group. As at the end of the reporting period, the Bank's subsidiaries were all incorporated into its risk consolidated management framework. The overall risks of the Group were manageable.

The Bank strictly followed national policies and relevant regulatory requirements and continuously improved the risk consolidated management system. During the reporting period, with a focus on the Group's risk appetite plan, it developed a plan on the assessment of risk consolidated management for subsidiaries to guide their effective implementation of the risk appetite limits. The Bank strengthened the unified management of risk information submission by subsidiaries, and formed a sustained and effective risk monitoring mechanism. It reinforced its performance of duty in risk consolidated management of the Bank, and oversaw that PSBC Wealth Management constantly improved risk compliance and fulfilled its responsibility honestly and diligently as a trustee. Also, it oversaw that PSBC Consumer Finance accelerated the digital transformation of risk control and became a robust contributor to inclusive finance, and that YOU+ BANK established and improved the credit whole-lifecycle management system to ensure a steady start and compliant operation.

Capital Management

The objective of the Bank's capital management is to maintain a stable and reasonable capital adequacy level, effectively support the continuous and healthy development of various businesses, and continuously meet regulatory policies and macro-prudential requirements; to comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, communicate the concept of value creation, continuously strengthen the Bank's capital, constantly improve the endogenous growth of capital and proactively expand channels for external capital replenishment.

In September 2022, the PBOC and the CBIRC released the 2022 list of domestic systemically important banks, and the Bank was again included in the list. According to the regulatory requirements, the Bank established and improved the management mechanism for the recovery and disposal plan based on its own operation situations, constantly improved the risk prevention and control ability, strengthened the crisis management, and reduced the Bank's risk spillover in the crises to maintain financial stability. During the reporting period, the Bank continued to improve its capital management system, effectively implemented regulatory requirements, stepped up refined capital management, steadily improved the capital replenishment by internal resources, and replenished capital through external resources in a reasonable and orderly manner, hence further building up its capital strength and effectively supporting the sustainable and healthy development of various businesses. As at the end of the reporting period, the Bank's capital indicators stayed within the reasonable range, and the capital adequacy ratios and the leverage ratio continued to meet all regulatory requirements including additional requirements for domestic systemically important banks and maintained at a sound and reasonable level.

Capital Planning and Capital Adequacy Ratio Management Plan

Pursuant to the regulatory requirements of the Capital Rules for Commercial Banks (Provisional), the Bank made capital planning in light of economic and financial situations, development strategies, risk appetite and other factors, and defined capital management objectives and management measures to ensure the Bank's capital ratios continue to meet regulatory requirements and are in line with long-term sustainable development and shareholder return requirements.

Capital Adequacy Ratio

According to the requirements of the Capital Rules for Commercial Banks (Provisional) and its supporting policy documents issued by the CBIRC, the Bank measured credit risk by weighted approach, market risk by standardized approach, and operational risk by basic indicator approach. As at the end of the reporting period, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.36%, 11.29%, and 13.82% respectively, details of which are as follows:

Capital Adequacy Ratio

In millions of RMB, except for percentages

Item	December 31, 2022		December 31, 2021	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital – net	679,887	658,372	635,024	619,935
Tier 1 capital – net	820,013	798,358	793,006	777,789
Net capital	1,003,987	981,608	945,992	930,200
Risk-weighted assets	7,266,134	7,216,448	6,400,338	6,363,162
Credit risk-weighted assets	6,779,896	6,744,048	5,892,637	5,866,543
Market risk-weighted assets	52,806	52,806	96,870	96,870
Operational risk-weighted assets	433,432	419,594	410,831	399,749
Core tier 1 capital adequacy ratio (%)	9.36	9.12	9.92	9.74
Tier 1 capital adequacy ratio (%)	11.29	11.06	12.39	12.22
Capital adequacy ratio (%)	13.82	13.60	14.78	14.62

Market Risk Capital Requirements

In millions of RMB

Item	December 31, 2022	December 31, 2021
Interest rate risk	2,230	2,313
Exchange rate risk	1,994	5,437

Leverage Ratio

As at the end of the reporting period, the leverage ratio calculated by the Bank pursuant to the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) issued by the CBIRC was 5.61%, meeting the regulatory requirements. For details of leverage ratio, please refer to "Appendix I: Supplementary Financial Information".

Economic Capital Management

The Bank continued to improve the refined management of economic capital and accelerated the implementation of the concept of achieving transformation and development with less capital consumption. It reinforced internal capital constraint and advanced the intensive use of capital. The Bank promoted greater application of the capital allocation mechanism with risk-adjusted return on capital (RAROC) as the core indicator, and intensified resource allocation in businesses with high returns. It continuously promoted the application of internal rating results in economic capital measurement, allocation and performance assessment in an orderly manner. The awareness of capital saving and value creation has been continuously enhanced across the Bank, and business structure continuously improved.

Capital Financing Management

On the basis of replenishing capital from internal sources through retained earnings, the Bank comprehensively utilized external financing instruments to replenish its capital.

In accordance with its capital requirements and capital replenishment plan, the Bank non-publicly issued 6,777,108,433 A shares of ordinary shares in March 2023 at an issue price of RMB6.64 per share, raising a total of approximately RMB45 billion. After deducting the issuance cost, actual net proceeds were approximately RMB44,980.159 million, all of which were used to replenish core tier 1 capital. Please refer to "Changes in Share Capital and Shareholdings of Shareholders" for details.

The Bank publicly issued RMB30 billion write-down undated capital bonds in the national Interbank Bond Market in January 2022, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities. The Bank convened a meeting of the Board of Directors on May 30, 2022 to review and approve the Proposal on the Issuance of Write-down Undated Capital Bonds by Postal Savings Bank of China. The proposal was submitted to the Shareholders' General Meeting on June 28, 2022 for review and approval. The Bank proposed to issue write-down undated capital bonds with an aggregate amount not exceeding RMB90 billion (inclusive) or its equivalent in foreign currency, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

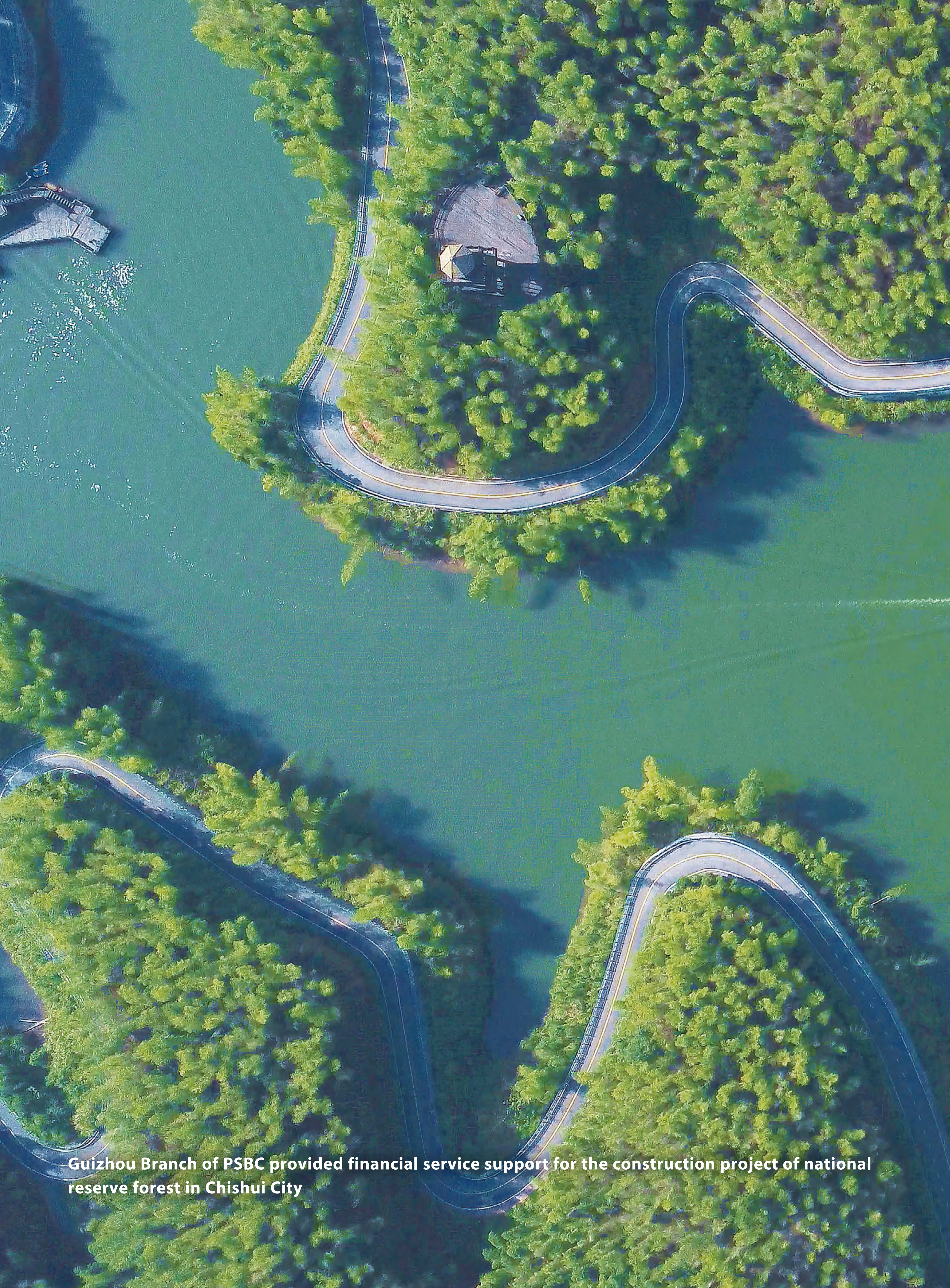
The Bank fully redeemed the US$7.25 billion offshore preference shares issued in 2017 on September 27, 2022. For details, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Offshore Preference Shares".

The Bank issued RMB40 billion tier 2 capital bonds in aggregate in the national Interbank Bond Market in March 2022, with all proceeds, after deducting the issuance costs, used to replenish tier 2 capital in accordance with applicable laws and approval of the competent authorities. Upon approval by the CBIRC, in March 2022, the Bank redeemed in full the tier 2 capital bonds of RMB20 billion issued in 2017.

Liability Quality Management

Liability quality management refers to the management activities carried out by commercial banks with regard to the sources, structures and costs of liabilities for the purpose of ensuring the safety, liquidity and efficiency of operations and in accordance with the principles commensurate with business strategies, risk appetite and overall business characteristics. The Bank continuously strengthened liability quality management, earnestly implemented regulatory requirements, established and improved the liability quality management system, and regarded high-quality liabilities as the basis for stable operations and the support for serving the real economy.

During the reporting period, the quality of the Bank's liabilities was generally good. Firstly, it strengthened the management of the scale of liabilities and changes in liability structure to maintain a stable source of funds. The balance of total liabilities increased by RMB1.45 trillion, of which customer deposits increased by RMB1.36 trillion and personal deposits with high stability increased by RMB1.24 trillion. Secondly, it took the initiative to expand funding channels to improve the diversity of liability structure. The Bank actively established a system of decentralized trading counterparties and diversified business categories, flexibly carried out interbank liabilities and actively participated in open market operations to increase the initiative and diversity of sources of liabilities. Thirdly, it strengthened its asset and liability portfolio management to achieve a balance between liquidity and profitability. The Bank improved its ability of asset-liability portfolio coordination, scientifically arranged the total amount, structure and pace of fund sources and utilization, and guided the decrease of the cost of liabilities on the basis of ensuring the steady operation of indicators such as liquidity risk and interest rate risk. Fourthly, it adhered to compliance management and strictly controlled the bottom line of risks. The Bank prudently carried out liability business innovation activities in strict accordance with relevant laws, regulations and regulatory requirements, and carried out transactions, accounting and statistics of liabilities in a legally compliant way to ensure the steady and compliant development of liability business. Fifthly, it adhered to the concept of value creation and innovated the liability management mechanism. The Bank strengthened the top-level design, vigorously promoted the development of value deposits through performance assessment, interest rate management and other policies, and consolidated the development foundation of demand deposits, hence boosting the continuous improvement of the development quality of liability business.



Guizhou Branch of PSBC provided financial service support for the construction project of national reserve forest in Chishui City

Corporate Governance

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

As at the end of the reporting period, the total number of ordinary shares of the Bank amounted to 92,383,967,605, including 72,527,800,605 A shares and 19,856,167,000 H shares, accounting for 78.51% and 21.49% of all shares respectively.

Details of Changes in Shares

share, except for percentages

	As at December 31, 2021		Increase/decrease (+,-) during the reporting period					As at December 31, 2022	
	Number of shares	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Transferred from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	61,253,339,187	66.30	–	–	–	–	–	61,253,339,187	66.30
1. Shareholdings of the State	–	–	–	–	–	–	–	–	–
2. Shareholdings of state-owned legal entities	61,253,339,187	66.30	–	–	–	–	–	61,253,339,187	66.30
3. Other domestic shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of domestic non-state-owned legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of foreign legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of foreign natural persons	–	–	–	–	–	–	–	–	–
II. Circulating shares not subject to selling restrictions	31,130,628,418	33.70	–	–	–	–	–	31,130,628,418	33.70
1. RMB ordinary shares	11,274,461,418	12.21	–	–	–	–	–	11,274,461,418	12.21
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	19,856,167,000	21.49	–	–	–	–	–	19,856,167,000	21.49
4. Others	–	–	–	–	–	–	–	–	–
III. Total ordinary shares	92,383,967,605	100.00	–	–	–	–	–	92,383,967,605	100.00

Note: The Bank non-publicly issued 6,777,108,433 A shares of ordinary shares in March 2023. After the issuance, the total number of shares of the Bank increased from 92,383,967,605 shares to 99,161,076,038 shares.

Changes in Ordinary Shares

There was no change in ordinary shares of the Bank during the reporting period.

Pursuant to the Approval of the Non-public Issuance of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2023] No. 340) issued by the CSRC on February 16, 2023, the Bank completed the non-public issuance of 6,777,108,433 A shares of ordinary shares in March 2023. The closing price of the A shares of the Bank on the date of signing the subscription agreement (i.e. February 24, 2023) was RMB4.54 per share. After issuance, the Bank raised a total of around RMB45,000 million at an issue price of RMB6.64 per share. After deducting the issuance fee, the actual net proceeds raised totaled RMB44,980.159 million, and net proceeds per share was approximately RMB6.64. After completion of the non-public issuance, total number of shares of the Bank increased from 92,383,967,605 to 99,161,076,038. For details, please refer to the announcement of the Bank dated March 29, 2023.

Changes in Shares Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of 2022	Shares released from selling restrictions in 2022	Increase in shares subject to selling restrictions in 2022	Number of shares subject to selling restrictions at the end of the reporting period	Reason for selling restrictions	Date of release from selling restrictions
China Post Group Corporation Limited	55,847,933,782	–	–	55,847,933,782	Commitments on selling restrictions of initial public offering of A shares	June 12, 2023
	5,405,405,405	–	–	5,405,405,405	Commitments on selling restrictions of non-public issuance of A shares in 2021	March 25, 2026
Total	61,253,339,187	–	–	61,253,339,187	/	/

Note (1): At the initial public offering of A shares of the Bank, China Post Group, the controlling shareholder and de facto controller of the Bank, committed that if the closing price of the issuer's shares is lower than the issuance price for 20 consecutive trading days within 6 months after the issuance and listing by the issuer, or the closing price is lower than the issuance price at the end of the 6-month period (the first trading day after the date if it is not a trading day) after the listing, the lock-up period of the Company's direct or indirect holding of the issuer's shares will be automatically extended for at least 6 months. If the issuer's shares have ex-right or ex-dividend matters such as dividend distribution, bonus issue, conversion of capital reserve to share capital, rights issue and issuance of new shares, the issue price will be adjusted accordingly. Due to the occurrence of the above circumstances, the lock-up period of the Bank's shares held by China Post Group at the time of A-share initial public offering was automatically extended for six months.

Note (2): The Bank made a non-public offering of 6,777,108,433 A shares of ordinary shares to China Mobile Communications Group Co., Ltd. in March 2023. The new shares issued above are tradable shares subject to restrictions on sale (sale restricted for 5 years). The share registration was completed on March 28, 2023, and the shares will be listed and traded on the SSE from March 28, 2028.

Changes in Share Capital and Shareholdings of Shareholders

Number of Shareholders and Shareholdings

As at the end of the reporting period, the Bank had a total number of 188,092 ordinary shareholders (including 185,576 A-share holders and 2,516 H-share holders) and no holders of preference shares with voting rights restored.

As at February 28, 2023, the Bank had a total number of 191,141 ordinary shareholders (including 188,631 A-share holders and 2,510 H-share holders) and no holders of preference shares with voting rights restored.

Shareholdings of Top Ten Ordinary Shareholders

share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,255,549,280	67.39	61,253,339,187	–	State-owned legal entity	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,176,510	21.48	–	Unknown	Foreign legal entity	Overseas listed foreign shares
China Life Insurance Company Ltd.	2,179,689,824	2.36	–	–	State-owned legal entity	RMB ordinary shares
China Telecommunications Corporation Limited	1,117,223,218	1.21	–	–	State-owned legal entity	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	684,110,692	0.74	–	–	Foreign legal entity	RMB ordinary shares
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No. 1 Fund	129,800,000	0.14	–	–	Others	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.12	–	–	State-owned legal entity	RMB ordinary shares
Dajia Life Insurance Co., Ltd. – Universal Products	101,864,500	0.11	–	–	Others	RMB ordinary shares
Foresea Life Insurance Co., Ltd. – Self-owned funds	99,999,997	0.11	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
E Fund Management Co., Ltd. – Social Security Fund Portfolio 1104	90,000,076	0.10	–	–	Others	RMB ordinary shares

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares: Type	Number
HKSCC Nominees Limited	19,843,176,510	Overseas listed foreign shares	19,843,176,510
China Life Insurance Company Ltd.	2,179,689,824	RMB ordinary shares	2,179,689,824
China Telecommunications Corporation Limited	1,117,223,218	RMB ordinary shares	1,117,223,218
China Post Group Corporation Limited	1,002,210,093	RMB ordinary shares	921,510,093
		Overseas listed foreign shares	80,700,000
Hong Kong Securities Clearing Company Limited	684,110,692	RMB ordinary shares	684,110,692
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No. 1 Fund	129,800,000	RMB ordinary shares	129,800,000
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Dajia Life Insurance Co., Ltd. – Universal Products	101,864,500	RMB ordinary shares	101,864,500
Foresea Life Insurance Co., Ltd. – Self-owned funds	99,999,997	RMB ordinary shares	99,999,997
E Fund Management Co., Ltd. – Social Security Fund Portfolio 1104	90,000,076	RMB ordinary shares	90,000,076

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten shareholders not subject to selling restrictions of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten shareholders not subject to selling restrictions due to placement of new shares.

Shareholdings of the Top Ten Shareholders Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions	Conditions for listing and trading of shares subject to selling restrictions: Date on which listing and trading may commence	Number of new shares allowed to be listed and traded	Selling restrictions
China Post Group Corporation Limited	55,847,933,782	June 12, 2023	–	42 months since the date of the initial public offering and listing of A shares of the Bank
	5,405,405,405	March 25, 2026	–	60 months since the date of the non-public issuance of A shares of the Bank in 2021

Note: The Bank made a non-public offering of 6,777,108,433 A shares of ordinary shares to China Mobile Communications Group Co., Ltd. in March 2023. The above newly issued shares are tradable shares subject to restrictions on sale (sale restricted for 5 years). The share registration was completed on March 28, 2023, and the shares will be listed and traded on the SSE from March 28, 2028.

Changes in Share Capital and Shareholdings of Shareholders

Shareholdings by the Directors, Supervisors and Senior Management Members

During the reporting period, the shareholdings by the Directors, Supervisors and senior management members of the Bank remained unchanged. As at the disclosure date of this report, none of the Directors, Supervisors and senior management members of the Bank held any shares of the Bank.

Offshore Preference Shares

Issuance and Listing of Offshore Preference Shares

On September 27, 2017, the Bank issued non-public offshore preference shares totaling USD7.25 billion in the overseas market. A total of 362,500,000 shares were issued, each with a face value of RMB100 and an offer price of USD20. The dividend rate is adjusted every 5 years, and remains unchanged within each adjustment period. The dividend rate is the yield on 5-year US treasury bonds in the adjustment period plus a fixed interest spread, and the dividend rate for the first 5 years after issuance is 4.50%. The offshore preference shares of the Bank were listed on the Hong Kong Stock Exchange on September 28, 2017, and net proceeds raised from the issuance were approximately RMB47.8 billion, all of which were used to replenish the Bank's additional tier 1 capital. During the reporting period, the Bank redeemed all offshore preference shares of USD7.25 billion on September 27, 2022. As at the end of the reporting period, the Bank had no outstanding offshore preference shares.

Issuance and Listing of Offshore Preference Shares

Stock code of the offshore preference shares	Preference shares abbreviation	Issuing date	Issue price (USD/share)	Initial dividend rate (%)	Issuing quantity (share)	Issuing amount (USD)	Listing date	Permitted trading volume (share)	Date of listing termination
4612	PSBC 17USDPREF	September 27, 2017	20	4.50	362,500,000	7,250,000,000	September 28, 2017	362,500,000	September 28, 2022

Distribution of Dividends on Offshore Preference Shares

During the reporting period, as per the resolution and authorization of the Shareholders' General Meeting, upon the review and approval of the Board of Directors of the Bank, the Bank distributed cash dividends to offshore preference shareholders whose names appeared on the share register on the record date on September 27, 2022. For details, please refer to the announcement of the Bank dated May 30, 2022.

Dividends on the Bank's offshore preference shares are paid annually in cash, with interest-bearing principal as the liquidation preference amount. Dividends of the Bank's offshore preference shares are paid in a non-cumulative manner. Holders of the Bank's offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution provisions in the offshore preference share issuance plan, the Bank distributed dividends of USD362.5 million (tax inclusive) on the offshore preference shares. According to relevant laws and regulations, when the Bank distributes dividends on the offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. The actual payment to offshore preference shareholders was USD326.25 million.

In millions of RMB, except for percentages

2022		2021		2020	
Dividend rate (%)	Total dividends paid	Dividend rate (%)	Total dividends paid	Dividend rate (%)	Total dividends paid
4.5	2,430	4.5	2,324	4.5	2,584

Note: Total dividends payable include tax.

Redemption or Conversion of Offshore Preference Shares

On May 30, 2022, the 6th meeting of the Board of Directors of the Bank in 2022 reviewed and approved the Proposal on Redemption of Offshore Preference Shares by Postal Savings Bank of China, agreeing to redeem USD7.25 billion of offshore preference shares according to relevant provisions of the offshore preference share issuance documents upon approval by the CBIRC. In July 2022, the Bank received the reply from the CBIRC which had no objection to the redemption. According to the terms and conditions for offshore preference shares, the Bank redeemed all of the USD7.25 billion offshore preference shares on September 27, 2022. The redemption price per share is the liquidation preference amount of each offshore preference share plus the declared but unpaid dividend per share from the previous dividend payment date (inclusive) to the redemption date (exclusive). The total redemption price was USD7,576,250,000 (sum of liquidation preference amount of USD7,250,000,000 and the dividend of USD326,250,000 of the offshore preference shares). For details, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

During the reporting period, there was no conversion of preference shares of the Bank.

Restoration of Voting Rights of Offshore Preference Shares

During the reporting period, there was no voting rights restoration regarding offshore preference shares of the Bank.

Accounting Policies Adopted for Offshore Preference Shares and the Reasons Thereof

According to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments, and the Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by the MOF, the International Financial Reporting Standards No. 7 – Financial Instruments: Disclosures, the International Financial Reporting Standards No. 9 – Financial Instruments, and the International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board as well as the issuance terms of the Bank's preference shares, the preference shares issued by the Bank conform to the accounting requirements for equity instruments, and shall be accounted for as equity instruments.

Substantial Shareholders

According to the Interim Measures on Equity Management of Commercial Banks published by the CBIRC, China Post Group, China Mobile Communications Group Co., Ltd., China State Shipbuilding Corporation Limited ("CSSC") and Shanghai International Port (Group) Co., Ltd. ("SIPG") are substantial shareholders of the Bank, as China Post Group and China Mobile Communications Group Co., Ltd. hold more than 5% of interest in the Bank while CSSC and SIPG designate Directors to the Bank.

Basic Information of Substantial Shareholders

There was no change in the controlling shareholder or de facto controller of the Bank during the reporting period.

From the end of the reporting period to the disclosure date of this report, the Bank non-publicly offered 6,777,108,433 A shares of ordinary shares in March 2023 to China Mobile Communications Group Co., Ltd., making China Mobile Communications Group Co., Ltd. a substantial shareholder of the Bank as it holds more than 5% of the Bank's shares.

Changes in Share Capital and Shareholdings of Shareholders

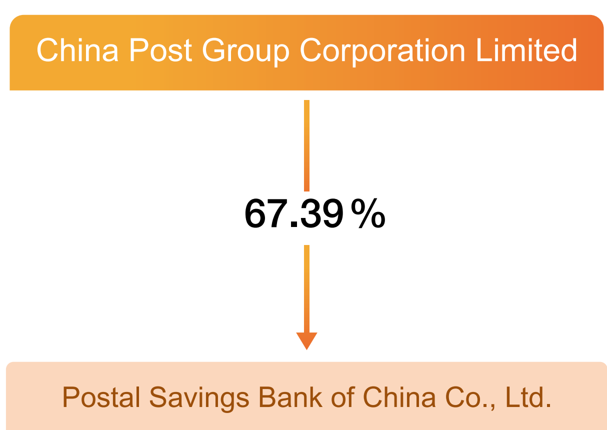
Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Bank is China Post Group. China Post Group, a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and was officially restructured into China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911000000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the state.

Other domestic and overseas listed companies directly held by China Post Group as at the end of the reporting period are listed below:

No.	Name of institution	Shareholding percentage	Stock exchange
1	Bank of Communications Co., Ltd.	0.0847%	SSE, Hong Kong Stock Exchange
2	Shanghai Pudong Development Bank Co., Ltd.	0.5370%	SSE
3	China Merchants Bank Co., Ltd.	0.0837%	SSE, Hong Kong Stock Exchange
4	New Guomai Digital Culture Co., Ltd.	0.1846%	SSE
5	Shenergy Company Limited	0.0059%	SSE
6	Orient Securities Company Limited	2.6927%	SSE, Hong Kong Stock Exchange
7	China Merchants Securities Co., Ltd.	0.0278%	SSE, Hong Kong Stock Exchange
8	Industrial Bank Co., Ltd.	0.1094%	SSE
9	China Pacific Insurance (Group) Co., Ltd.	0.0018%	SSE, Hong Kong Stock Exchange
10	Petrochina Company Limited	0.0004%	SSE, Hong Kong Stock Exchange
11	COSCO SHIPPING Development Co., Ltd.	0.0025%	SSE, Hong Kong Stock Exchange
12	China Coal Energy Company Limited	0.0025%	SSE, Hong Kong Stock Exchange
13	Yangmei Chemical Co., Ltd.	0.0556%	SSE
14	Southwest Securities Company Ltd.	0.1361%	SSE
15	Bank of Chongqing Co., Ltd.	0.1349%	SSE, Hong Kong Stock Exchange

As at the end of the reporting period, China Post Group directly held 62,174,849,280 A shares and 80,700,000 H shares of the Bank, with a shareholding percentage of 67.39%. The property right relationship between the Bank and China Post Group, the controlling shareholder and de facto controller, is as follows:



Other Substantial Shareholders

China State Shipbuilding Corporation Limited ("CSSC") is a wholly state-owned enterprise established on November 8, 2019 under the Company Law of the People's Republic of China by the state with a registered capital of RMB110 billion. Its registered address is No. 889 Zhonghua Road, Huangpu District, Shanghai and its unified social credit code is 91310000MA1FL70B67 and legal representative is Lei Fanpei. CSSC has the largest shipbuilding and repair base in China and the most complete research and development capacity for shipping and supporting products. It is the world's largest shipbuilding group capable of designing and building shipping and marine equipment that meet the requirements of global classification societies, international general technical standards and safety conventions. CSSC is principally engaged in the research, development and production of naval products, merchant ships and supporting facilities as well as non-marine equipment, and is one of the Global 500 companies in China's shipping industry.

Shanghai International Port (Group) Co., Ltd. ("SIPG"), the operator of public terminals in the Port of Shanghai, is a large specialized business group established in January 2003 by restructuring the former Shanghai Port Administration Bureau. In June 2005, SIPG was transformed into a joint-stock company after an overall restructuring, and was listed on SSE on October 26, 2006, becoming the first joint-stock port company listed as a whole in China. It is now the largest public company in the port industry in the mainland of China and is also one of the largest port companies in the world. The registered capital of SIPG is approximately RMB23.279 billion. SIPG has its registered address at 4/F, Area A, Comprehensive Building, No. 1 Tonghui Road, China (Shanghai) Pilot Free Trade Zone, and its headquarters at No. 358 (International Port Building) East Daming Road, Hongkou District, Shanghai. Its unified social credit code is 913100001322075806, and the legal representative is Mr. Gu Jinshan. Its ultimate controller is Shanghai State-owned Assets Supervision and Administration Commission. SIPG is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

China Mobile Communications Group Co., Ltd. ("China Mobile Group") is a wholly state-owned enterprise established under the Company Law of the People's Republic of China by the state with a registered capital of RMB300 billion. Its registered address is No. 29 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911100007109250324, and the legal representative is Yang Jie. China Mobile Group, as a comprehensive telecommunication operator, is a central state-owned enterprise established on July 22, 1999 in accordance with the overall plan of the national telecommunication system reform with business scope covering basic telecommunication business, value-added telecommunication business, and innovative digital services such as digital media content and information solutions. As a unit which holds the license for operating international networking of computer information and international communication accesses, China Mobile Group is able to provide quality products and services related to information and communication, and integrated information solutions, to individuals, families, governments, enterprises and other customers.

Pledging of The Bank's Shares by Its Substantial Shareholders

As at the end of the reporting period, CSSC pledged 1,560,000,000 ordinary shares of the Bank, accounting for 1.69% of the total share capital of the Bank, and there was no share pledge by other substantial shareholders of the Bank.

Other Legal Entity Shareholders Holding 10% or More of the Bank's Shares

Save for China Post Group, as at the end of the reporting period, the Bank had no other legal entity shareholders[1] holding 10% or more of its shares.

1 Excluding HKSCC Nominees Limited.

Related Parties of Substantial Shareholders and Connected Transactions

During the reporting period, about 1,400 institutions including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are regarded as related parties of the Bank. The types of transactions between the Bank and the above-mentioned related parties mainly included credit extension, asset transfer, service provision, etc. These connected transactions were included in the routine connected transaction management of the Bank and submitted to the Board of Directors and its Related Party Transactions Control Committee for approval or kept on record.

For details on the Bank's connected transactions with China Post Group, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions" and "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, so far as was known to the Directors, Supervisors and President of the Bank, saved as disclosed below, there were no other persons (other than the Directors, Supervisors and President of the Bank) or companies who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Unit: share, except for percentages

Name of shareholder	Capacity	Class of shares	Relevant interests and short positions (shares)	Nature of interests	Percentage of issued class shares (%)	Percentage of total issued shares (%)
China Post Group Corporation Limited	Beneficial owner	A shares	62,174,849,280	Long position	85.73	67.30
	Beneficial owner	H shares	80,700,000	Long position	0.41	0.09
China State Shipbuilding Corporation Limited	Interest of controlled corporations	H shares	3,939,907,462	Long position	19.84	4.26
Shanghai International Port (Group) Co., Ltd.	Beneficial owner and interest of controlled corporations	H shares	3,702,921,041	Long position	18.65	4.01
	Beneficial owner	A shares	112,539,226	Long position	0.16	0.12
Li Ka-Shing	Interest of controlled corporations	H shares	2,184,175,000	Long position	10.99	2.36
Li Tzar Kuoi, Victor	Interest of controlled corporations	H shares	2,184,175,000	Long position	10.99	2.36
China National Tobacco Corporation	Beneficial owner	H shares	1,296,000,000	Long position	6.53	1.40
Li Lu	Interest of controlled corporations	H shares	1,274,411,000	Long position	6.42	1.38
BNP PARIBAS SA	Interest of controlled corporations	H shares	1,545,250,830	Long position	7.78	1.67
	Interest of controlled corporations	H shares	197,955,033	Short position	0.99	0.21

Note (1): The information disclosed above is based on the information provided on the website of Hong Kong Stock Exchange and the information available to the Bank at the end of the reporting period. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholder's shareholding in the Bank changes, the shareholder is not required to inform the Bank and Hong Kong Stock Exchange unless several criteria have been met, therefore the shareholder's latest shareholding in the Bank may differ from the shareholding filed with Hong Kong Stock Exchange.

Note (2): China State Shipbuilding Corporation Limited is interested in a total of 3,939,907,462 H shares (long position), of which 3,777,884,462 H shares (long position) are indirectly held by controlled corporations, namely China Shipbuilding Industry Corporation, China Shipbuilding & Offshore International Co., Limited, China Shipbuilding & Offshore International (H.K.) Co., Limited and China Shipbuilding Capital Limited through CSIC Investment One Limited as the beneficial owner, and 162,023,000 H shares (long position) are indirectly held by the controlled corporation China Shipbuilding Industry Corporation through China Shipbuilding Capital Limited as the beneficial owner.

Note (3): Shanghai International Port (Group) Co., Ltd. is interested in a total of 3,702,921,041 H shares (long position), of which 337,300,000 H shares (long position) are beneficially owned by it, 3,215,660,360 H shares (long position) are beneficially owned by the controlled corporation Shanghai International Port Group (HK) Co., Limited, and 149,960,681 H shares (long position) are indirectly held by the controlled corporation Shanghai International Port Group (HK) Co., Limited through Shanghai Port Group (BVI) Holding Co., Limited as the beneficial owner.

Note (4): Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor is each interested in a total of 2,184,175,000 H shares (long position), of which 1,108,228,000 H shares (long position) are beneficially owned by the controlled corporation Li Ka Shing (Canada) Foundation. The above 2,184,175,000 H shares (long position) are all unlisted derivatives delivered in kind.

Note (5): Li Lu is interested in 1,274,411,000 H shares (long position) indirectly held by the controlled corporation LL Group, LLC through Himalaya Capital Investors, L.P. as the beneficial owner. Himalaya Capital Management LLC is interested in the 1,274,411,000 H shares (long position) as the investment manager.

Note (6): BNP PARIBAS SA is deemed to be interested in a total of 1,545,250,830 H shares (long position) and 197,955,033 H shares (short position) as it controls several enterprises, of which 1,297,692,946 H shares (long position) are available for lending, 116,837,789 H shares (long position) and 106,540,595 H shares (short position) are owned through holding listed derivatives of convertible instruments, and 57,041,925 H shares (long position) are owned through holding unlisted derivatives delivered via cash.

Issuance and Listing of Securities

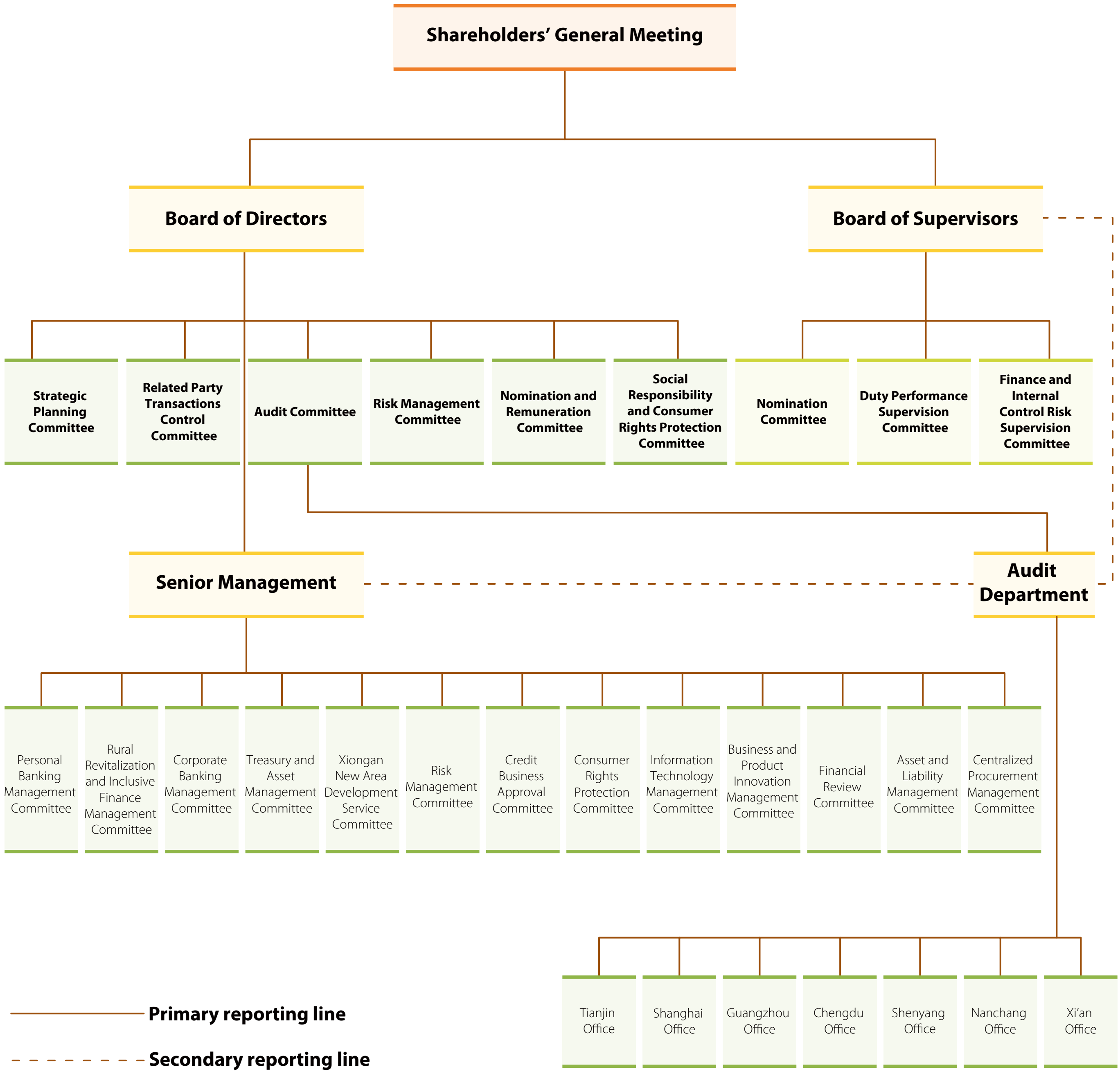
During the reporting period, the Bank did not issue ordinary shares. For details of the issuance of other securities, please refer to "Notes to the Consolidated Financial Statements – 33 Debt securities issued" and "Notes to the Consolidated Financial Statements – 35.2 Other equity instruments".

The Bank non-publicly issued 6,777,108,433 ordinary shares of A shares in March 2023. Upon completion of the issuance, the total number of shares of the Bank increased from 92,383,967,605 shares to 99,161,076,038 shares.

The Bank has no employee stocks.

Corporate Governance

Corporate Governance Chart



Corporate Governance Code

During the reporting period, the Bank strictly complied with laws and regulations, requirements for corporate governance in normative documents of the CBIRC, CSRC, SSE and other regulatory authorities as well as the principles and code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules. It continued to improve the corporate governance structure and mechanism, and cultivated the corporate governance culture. All corporate governance bodies performed their respective duties and responsibilities, coordinated with each other in operation under effective checks and balances, and continuously improved the quality and efficiency of corporate governance.

Shareholders' Rights

Convening of an Extraordinary General Meeting

The Bank protects shareholders' rights strictly in compliance with the regulatory requirements and the Articles of Association. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") may propose to the Board of Directors to convene an extraordinary general meeting in writing. The Board of Directors shall reply in writing as to whether it agrees or refuses to convene such a meeting within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations, ministerial rules and the Articles of Association.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days after relevant resolution of the Board of Directors is passed. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice. If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to reply within 10 days upon receipt of the proposal, the Requesting Shareholders have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall make such proposal to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days upon receipt of the proposal. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice.

If the Board of Supervisors does not issue the notice of the extraordinary general meeting within the prescribed period, it shall be deemed that such a meeting will not be convened or presided over by the Board of Supervisors, and shareholders individually or jointly holding more than 10% of the Bank's shares for over 90 consecutive days may convene and preside over the meeting on their own initiative.

Convening of an Extraordinary Board Meeting

The Requesting Shareholders are entitled to propose the convening of an extraordinary board meeting to the Chairman of the Board of Directors. The Chairman should convene and chair the extraordinary board meeting within ten days upon receipt of the proposal.

Enquiries to the Board of Directors

Shareholders of the Bank may put enquiries to the Board of Directors and have the right to obtain relevant information in accordance with the laws, administrative regulations, ministerial rules and provisions of the Articles of Association, including the Articles of Association of the Bank, the status of the share capital, the latest audited financial statement, the report of the Board of Directors, the report of the Board of Supervisors, the minutes of the Shareholders' General Meeting, and other relevant information. Shareholders who request to review the relevant information or obtain such materials shall provide the Bank with written documents evidencing the class and number of shares held by them in the Bank, and the Bank shall provide such information or materials as requested upon verification of such shareholders' identities. The Office of the Board of Directors shall be responsible for assisting the Board of Directors with its daily matters. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meeting

Pursuant to the Articles of Association, shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") shall have the right to submit proposals to the Shareholders' General Meeting. Shareholders holding individually or jointly more than 1% of the total voting shares of the Bank may propose Independent Non-executive Director candidates and External Supervisor candidates to the Shareholders' General Meeting. The Proposing Shareholders shall have the right to submit interim proposals to the convener in writing ten days before the Shareholders' General Meeting. The convener shall within two days upon receipt of such proposals give a supplemental notice on the Shareholders' General Meeting.

Proposals to the Board of Directors

The Requesting Shareholders are entitled to submit proposals to the Board of Directors.

Shareholders' General Meetings

During the reporting period, the Bank held one Annual General Meeting and two Extraordinary General Meetings in total, with 26 proposals reviewed and approved and 4 reports heard. Details are as follows:

Meeting	Date	Websites for publishing announcements	Disclosure date	Meeting resolutions
2021 Annual General Meeting	June 28, 2022	The announcement on resolutions was published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank on June 28, 2022.	June 28, 2022	See the Announcement on Poll Results of the 2021 Annual General Meeting
2022 First Extraordinary General Meeting	November 1, 2022	The announcement on resolutions was published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank on November 1, 2022.	November 1, 2022	See the Announcement on Poll Results of the 2022 First Extraordinary General Meeting
2022 Second Extraordinary General Meeting	November 11, 2022	The announcement on resolutions was published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank on November 11, 2022.	November 11, 2022	See the Announcement on Poll Results of the 2022 Second Extraordinary General Meeting

On June 28, 2022, the Bank held the Annual General Meeting for the Year 2021 in Beijing, reviewed and approved 12 proposals including the proposals on the final financial accounts for 2021, the profit distribution plan for 2021, and the issuance of write-down undated capital bonds, and heard 4 reports including the Report for 2021 on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors, the Report on the 2021 Evaluation of the Substantial Shareholder and the Report on the 2021 Special Report on Related Party Transactions.

On November 1, 2022, the Bank held the First Extraordinary General Meeting of 2022 in Beijing, and reviewed and approved the proposal regarding the adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business by the Bank and China Post Group.

On November 11, 2022, the Bank held the Second Extraordinary General Meeting of 2022 in Beijing, and reviewed and approved 13 proposals including the proposals regarding the A share non-public issuance plan, election and re-election of directors as well as directors' and supervisors' remuneration settlement plans for 2021.

The aforementioned Shareholders' General Meetings were convened and held in strict accordance with relevant laws, regulations and the listing rules of the Chinese mainland and Hong Kong. Directors, Supervisors and senior management members of the Bank attended the meetings and exchanged views with shareholders on their concerns. The Bank issued announcements on the resolutions of the above-mentioned Shareholders' General Meetings and legal opinions in a timely manner in accordance with the regulatory requirements. For details, please refer to the announcements of the Bank dated June 28, November 1 and November 11, 2022 respectively.

In order to protect the rights to know, participate and make decisions of minority shareholders, the Shareholders' General Meeting was held in the form of on-site meeting, and online voting for A-shares was provided to promote in-depth communication and exchange with shareholders, especially minority shareholders, and effectively protect the rights and interests of shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Title	Gender	Date of birth	Tenure
Directors				
Liu Jianjun	Executive Director	Male	August 1965	August 2021 – July 2024
	President			August 2021 – now
Zhang Xuewen	Executive Director	Male	November 1962	January 2013 – now
	Vice President			January 2013 – now
Yao Hong	Executive Director	Female	October 1966	August 2016 – now
	Vice President			December 2006 – now
Han Wenbo	Non-executive Director	Male	December 1966	May 2017 – April 2024
Chen Donghao	Non-executive Director	Male	June 1964	July 2021 – July 2024
Wei Qiang	Non-executive Director	Male	August 1963	May 2021 – May 2024
Liu Yue	Non-executive Director	Male	March 1962	December 2017 – December 2023
Ding Xiangming	Non-executive Director	Male	October 1968	October 2017 – December 2023
Wen Tiejun	Independent Non-executive Director	Male	May 1951	October 2019 – October 2025
Chung Shui Ming Timpson	Independent Non-executive Director	Male	November 1951	October 2019 – October 2025
Hu Xiang	Independent Non-executive Director	Male	November 1975	October 2017 – October 2023
Pan Yingli	Independent Non-executive Director	Female	June 1955	December 2019 – November 2025
Tang Zhihong	Independent Non-executive Director	Male	March 1960	March 2023 – March 2026
Supervisors				
Chen Yuejun	Chairman of the Board of Supervisors	Male	June 1965	January 2013 – now
	Shareholder Representative Supervisor			December 2012 – now
Zhao Yongxiang	Shareholder Representative Supervisor	Male	February 1964	May 2016 – now
Wu Yu	External Supervisor	Male	January 1966	May 2016 – now
Bai Jianjun	External Supervisor	Male	July 1955	October 2019 – now
Chen Shimin	External Supervisor	Male	July 1958	December 2019 – now
Li Yue	Employee Supervisor	Male	March 1972	December 2012 – July 2025
Bu Dongsheng	Employee Supervisor	Male	September 1965	May 2017 – May 2023
Gu Nannan	Employee Supervisor	Male	July 1969	June 2021 – June 2024

Name	Title	Gender	Date of birth	Tenure
Senior Management Members				
Liu Jianjun	See "Directors" above			
Zhang Xuewen	See "Directors" above			
Yao Hong	See "Directors" above			
Qu Jiawen	Vice President	Male	April 1963	January 2013 – now
Xu Xueming	Vice President	Male	July 1967	January 2013 – now
Du Chunye	Vice President	Male	May 1977	July 2020 – now
	Secretary to the Board of Directors			April 2017 – now
	Joint Company Secretary			March 2017 – now
Liang Shidong	Chief Risk Officer	Male	January 1977	February 2020 – now
Niu Xinzhuang	Chief Information Officer	Male	July 1976	July 2020 – now
Resigned Personnel				
Zhang Jinliang	Former Chairman	Male	November 1969	May 2019 – April 2022
	Former Non-executive Director			May 2019 – April 2022
Fu Tingmei	Former Independent Non-executive Director	Male	May 1966	August 2016 – March 2023
Li Yujie	Former Shareholder Representative Supervisor	Male	November 1961	May 2016 – January 2022
Shao Zhibao	Former Vice President	Male	June 1962	January 2013 – July 2022
Tang Junfang	Former Secretary of the Discipline Inspection Committee	Female	January 1968	May 2020 – March 2022

Note (1): Due to the change of job, Mr. Zhang Jinliang resigned from positions of Chairman and Non-executive Director on April 25, 2022. Upon approval by the Board of Directors, Mr. Liu Jianjun, Executive Director and President of the Bank, has been performing the duties on behalf of Chairman of the Bank since April 25, 2022.

Note (2): According to laws, regulations and the Articles of Association of the Bank, the directors and supervisors of the Bank may be re-elected upon expiration of the term of office. Before the newly elected directors and supervisors take office, the former directors and supervisors shall continue to perform their duties.

Note (3): Mr. Chung Shui Ming Timpson served as a director of seven listed companies. Pursuant to code provision B.3.4(b) in Appendix 14 to the Hong Kong Listing Rules in relation to the appointment of directors, he has disclosed to the Bank the responsibilities assumed and time required for duty performance at the listed companies or institutions and other major appointments in 2022. Mr. Chung Shui Ming Timpson has served as Independent Non-executive Director of the Bank for three years, and is familiar with the Bank's business. Mr. Chung Shui Ming Timpson attended meetings regularly, fully participated in the deliberations and discussions during the meetings, timely reviewed and replied the information presented by the Bank, and actively participated in relevant surveys and training. Therefore, the Board of Directors believed that Mr. Chung Shui Ming Timpson could devote enough time to the Board of Directors and maintained the independence and professionalism of serving as a director in a number of listed companies.

Note (4): The six-year term of office of external supervisor Mr. Wu Yu expired on May 30, 2022. To ensure that the Board of Supervisors meets the requirement that the proportion of external supervisors shall not be less than one third of total number of supervisors, before the newly elected external supervisor assumes office, Mr. Wu Yu will continue to perform his duties as supervisor.

Note (5): During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share options or were granted restricted shares of the Bank.

Positions Taken by Directors, Supervisors and Senior Management Members at Shareholders' Companies

Name	Name of company	Major titles	Commencement time of tenure
Liu Jianjun	China Post Group	Vice President	May 2021
Zhang Xuewen	China Post Group	Assistant President	February 2022
Han Wenbo	China Post Group	Board Member	February 2021
Chen Donghao	China Post Group	Board Member	February 2021
Ding Xiangming	SIPG	Vice President and Secretary to the Board of Directors	December 2014
		General Counsel	November 2022
Zhao Yongxiang	China Post Group	Senior Manager of Discipline Inspection Office of the Leading Party Members' Group	February 2023

Note (1): Save as disclosed above, as of the disclosure date of this report, none of the Directors, Supervisors and senior management members of the Bank took positions in shareholders' companies, among which, the relevant regulatory authorities have agreed to exempt Mr. Liu Jianjun and Mr. Zhang Xuewen from restrictions on concurrent positions as senior management. The Independent Non-executive Directors of the Bank are of the view that in 2022, Mr. Liu Jianjun and Mr. Zhang Xuewen practically fulfilled their undertakings, performed their duties with due diligence and dealt well with the relationship between the Bank and its controlling shareholder. There were no activities that might impair the interests of the Bank and other shareholders due to such concurrent positions, which was in compliance with the independence requirements of staff of listed companies.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2022

In RMB10,000

Name	Title	Fees (1)	Remuneration paid (2)	Contribution by the employer to social insurance, housing provident fund, enterprise annuity, etc. (3)	Total (4)=(1)+(2)+(3)	Obtain remuneration from shareholders' companies or other related parties or not during the tenure in 2022
Liu Jianjun	Executive Director, President	–	–	–	–	Yes
Zhang Xuewen	Executive Director, Vice President	–	53.67	28.12	81.79	No
Yao Hong	Executive Director, Vice President	–	50.97	28.21	79.18	No
Han Wenbo	Non-executive Director	–	–	–	–	Yes
Chen Donghao	Non-executive Director	–	–	–	–	Yes
Wei Qiang	Non-executive Director	–	–	–	–	Yes
Liu Yue	Non-executive Director	–	–	–	–	Yes
Ding Xiangming	Non-executive Director	–	–	–	–	Yes
Wen Tiejun	Independent Non-executive Director	34.80	–	–	34.80	No
Chung Shui Ming Timpson	Independent Non-executive Director	34.80	–	–	34.80	No
Hu Xiang	Independent Non-executive Director	34.80	–	–	34.80	Yes
Pan Yingli	Independent Non-executive Director	34.80	–	–	34.80	No
Tang Zhihong	Independent Non-executive Director	–	–	–	–	Yes
Chen Yuejun	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	–	52.14	28.12	80.26	No
Zhao Yongxiang	Shareholder Representative Supervisor	–	–	–	–	Yes
Wu Yu	External Supervisor	30.00	–	–	30.00	Yes
Bai Jianjun	External Supervisor	30.00	–	–	30.00	Yes
Chen Shimin	External Supervisor	30.00	–	–	30.00	Yes
Li Yue	Employee Supervisor	–	–	–	–	No
Bu Dongsheng	Employee Supervisor	–	–	–	–	No
Gu Nannan	Employee Supervisor	–	–	–	–	No
Qu Jiawen	Vice President	–	50.91	28.12	79.03	No
Xu Xueming	Vice President	–	50.91	28.12	79.03	No
Du Chunye	Vice President, Secretary to the Board of Directors, Joint Company Secretary	–	50.91	23.54	74.45	No
Liang Shidong	Chief Risk Officer	–	80.00	22.45	102.45	No
Niu Xinzhuang	Chief Information Officer	–	80.00	22.93	102.93	No
Resigned Personnel						
Zhang Jinliang	Former Chairman, former Non-executive Director	–	–	–	–	Yes
Fu Tingmei	Former Independent Non-executive Director	34.80	–	–	34.80	No
Li Yujie	Former Shareholder Representative Supervisor	–	–	–	–	Yes
Shao Zhibao	Former Vice President	–	29.45	15.18	44.63	No
Tang Junfang	Former Secretary of the Discipline Inspection Committee	–	11.95	5.40	17.35	No

Note (1): In accordance with relevant rules, the final remuneration payable to Directors, Supervisors and senior management members of the Bank is still subject to confirmation, and additional details of remuneration will be disclosed upon confirmation.

Note (2): Mr. Liu Jianjun, Executive Director and President of the Bank, held positions at and received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (3): Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming, Non-executive Directors of the Bank, did not receive any remuneration from the Bank.

Note (4): Mr. Zhao Yongxiang, Shareholder Representative Supervisor of the Bank, did not receive any remuneration from the Bank.

Note (5): Employee Supervisors of the Bank did not receive remuneration from the Bank as Employee Supervisors, and the remuneration due to them as employees of the Bank is not included here.

Note (6): Mr. Zhang Jinliang, former Chairman and Non-executive Director of the Bank, held positions at and received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (7): Mr. Li Yujie, former Shareholder Representative Supervisor of the Bank, did not receive any remuneration from the Bank.

Note (8): Some of the Bank's Independent Non-executive Directors held positions as Independent Non-executive Directors at and received remuneration from other legal entities or organizations. Such circumstance does not constitute receiving of remuneration from related parties under the regulatory rules of jurisdictions of listing.

Corporate Governance

Biographies of Directors, Supervisors and Senior Management Members

Biographies of Directors

Liu Jianjun, Executive Director and President

Liu Jianjun, male, obtained a master's degree in Economics from Dongbei University of Finance and Economics and holds the title of Senior Economist. Mr. Liu Jianjun began to serve as Executive Director and President of the Bank since August 2021, and has performed responsibilities on behalf of Chairman of the Bank since April 2022. He previously served as Deputy General Manager of Weifang Branch and Jinan Branch as well as the General Manager of Dezhou Branch under Shandong Branch of China Construction Bank; Deputy General Manager of Jinan Branch of China Merchants Bank, General Manager of the Retail Banking Department, General Manager of the Retail Management Department, Business Executive of the Head Office and Senior Executive Vice President of the General Office of Retail Finance, Director of the Credit Card Center of China Merchants Bank, Executive Director, Executive Vice President and Secretary of the Board of Directors of China Merchants Bank. He is now Vice President of China Post Group.

Zhang Xuewen, Executive Director and Vice President

Zhang Xuewen, male, obtained a doctor's degree in Economics from Dongbei University of Finance and Economics and holds the title of Senior Economist. Mr. Zhang has served as Executive Director and Vice President of the Bank since January 2013. He previously served as Deputy Director of the Internal Trade Division II of the Trade Finance Department of the MOF, Deputy Director of the Grain Division of the Economy and Trade Department of the MOF, Deputy Director and Director of the Grain Division of the Economic Construction Department of the MOF, and Deputy Director General of the Economic Construction Department of the MOF. Mr. Zhang concurrently serves as Deputy Chairman of the Rural Social Insurance Commission of China Social Insurance Association, and Deputy Chairman of the Banking Accounting Society of China. He is now Assistant President of China Post Group.

Yao Hong, Executive Director and Vice President

Yao Hong, female, obtained a master's degree in Management from Hunan University and holds the title of Senior Economist. Ms. Yao has served as Vice President and Executive Director of the Bank since December 2006 and August 2016 respectively. She previously served as Deputy Director of the Savings Business Division under the Postal Savings and Remittance Bureau of the Ministry of Posts and Telecommunications, and Director of the Savings Business Division and Associate Director General of the Postal Savings and Remittance Bureau of the State Post Bureau. She concurrently serves as Vice Chairman of Payment & Clearing Association of China.

Han Wenbo, Non-executive Director

Han Wenbo, male, obtained a doctor's degree in Management from Northeast Agricultural University and holds a PRC lawyer's license and the title of Economist. Mr. Han has served as Non-executive Director of the Bank since May 2017 and has served as Board Member of China Post Group since February 2021. He previously served as Deputy Director of General Office and Assistant Ombudsman of Heilongjiang Fiscal Ombudsman Office of the Ministry of Finance (MOF), Assistant Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Sichuan Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, and Deputy Director (Deputy Director General level) and Director (Director General level) of the General Office of the Inspection Work Leadership Group of the MOF.

Chen Donghao, Non-executive Director

Chen Donghao, male, graduated from Renmin University of China with a bachelor's degree in law. Mr. Chen has served as Non-executive Director of the Bank since July 2021 and the Director of China Post Group since February 2021. Mr. Chen served as Deputy Director of Division II, Deputy Director and Director of the General Office, Director of Division IV of the Department of Treaty and Law, Deputy Chief of the Department of Tax Policy of the Ministry of Finance, etc.

Wei Qiang, Non-executive Director

Wei Qiang, male, graduated from Party School of the Central Committee of the Communist Party of China and holds the title of Senior Auditor. Mr. Wei has served as Non-executive Director of the Bank since May 2021. He served as teacher and the deputy chief of the finance department of Sichuan Post and Telecommunication College, deputy chief staff member, chief staff member, Deputy Director and Deputy Director (presiding over work) of the Public Finance Audit Division, Director of the Financial Audit Division I of the Chengdu Regional Office of the National Audit Office, Assistant Commissioner and Deputy Commissioner of Changsha Regional Office, Deputy Commissioner of Chengdu Regional Office, Deputy Commissioner (presiding over work) and Commissioner of Lanzhou Regional Office, Head of the Department of Enterprise Audit, Director of the General Office, Director of the Training Center (Audit Communication Center), Head of the Department of Public Finance Audit of the National Audit Office, etc.

Liu Yue, Non-Executive Director

Liu Yue, male, obtained a doctor's degree in Engineering from Harbin Engineering University and holds the title of Senior Engineer. Mr. Liu has served as Non-executive Director of the Bank since December 2017. He previously served as an engineer and Deputy Director of Comprehensive Planning Bureau of China State Shipbuilding Corporation, Deputy Director of Science, Technology and Quality Control Department of China National Space Administration, Board Secretary, Director and Executive Director of CSIC Science & Technology Investment & Development Co., Ltd., Assistant Director, Deputy Director and Director of Planning and Development Department and Chief Economist of China Shipbuilding Industry Corporation, and Chairman of China Shipbuilding Capital Limited.

Ding Xiangming, Non-Executive Director

Ding Xiangming, male, obtained an MBA degree from Shanghai Maritime University, and holds the title of Senior Economist and Engineer. Mr. Ding has served as Non-executive Director of the Bank since October 2017. He previously served as Technical Management Director of Jungonglu Wharf Technology Department, Equipment Director of Baoshan Wharf Technology Department, Technical Support Director of Engineering Technology Department, Business Management Director of General Manager Office of Shanghai Container Terminal Co., Ltd., Assistant Manager of Investment Management Department of Shanghai Port Container Co., Ltd., Manager of Project Development Office, and Deputy General Manager and General Manager of Investment and Development Department of Shanghai International Port (Group) Co., Ltd. ("SIPG"). Mr. Ding currently serves as Vice President, Board Secretary and General Counsel of SIPG.

Wen Tiejun, Independent Non-executive Director

Wen Tiejun, male, obtained a doctor's degree in Management from China Agricultural University. Mr. Wen has served as Independent Non-executive Director of the Bank since October 2019. He previously served as an assistant researcher of the Rural Development Research Center of the State Council, a researcher of the Research Center for Rural Economy of the Ministry of Agriculture, Deputy Secretary General of the China Society of Economic Reform, Dean of School of Agricultural Economics and Rural Development at Renmin University of China, and Independent Non-executive Director of Agricultural Bank of China Limited. Mr. Wen currently serves as Executive Dean of Institute of Rural Reconstruction of China at Southwest University, a member of the National Environment Advisory Committee, a member of the Committee of Experts on Food Security, a provincial and ministerial-level adviser and policy advisory expert of the Ministry of Commerce, the Ministry of Civil Affairs, the National Forestry and Grassland Administration, Beijing Municipality and Fujian Province of the PRC, and external director of Xinjiang Culture & Tourism Investment Group Co., Ltd.

Chung Shui Ming Timpson, Independent Non-executive Director

Chung Shui Ming Timpson, male, obtained an honorary doctor's degree in Social Science from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and received the title of Justice of the Peace from the HKSAR Government in 1998 and was awarded the Gold Bauhinia Star by the HKSAR Government in 2000. Mr. Chung has served as Independent Non-executive Director of the Bank since October 2019. He previously served as Senior Auditing Director of Coopers & Lybrand, Chairman of the Management Board of the City University of Hong Kong, Chief Executive Officer of Shimao International Holdings Ltd., Chairman of the Hong Kong Housing Society, a member of the HKSAR Executive Council, Chief Executive Officer of HKSAR Government Land Fund Trust, and Independent Non-executive Director of Nine Dragons Paper (Holdings) Limited, Henderson Land Development Co., Ltd., China Everbright Bank Co., Ltd., China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, Glorious Sun Enterprises Limited, etc. He currently serves as Independent Non-executive Director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, China Overseas Grand Oceans Group Ltd., China Everbright Limited, China Railway Group Limited and Orient Overseas (International) Limited and Pro-Chancellor of City University of Hong Kong.

Hu Xiang, Independent Non-executive Director

Hu Xiang, male, obtained a master's degree in Economics from the Graduate School of the PBOC. Mr. Hu has served as Independent Non-executive Director of the Bank since October 2017. He previously served as Principal Staff Member of Entrusted Investment Division of Investment Department and Deputy Director (presiding over the work) of Share Transfer Division of Overseas Investment Department of National Council for Social Security Fund, Deputy General Manager of Penghua Fund Management Co., Ltd., and Director of Shanghai Zhitong Construction Development Co., Ltd. Mr. Hu currently serves as Chairman and General Manager of Great Wheel Asset Management Company Zhejiang, Director of World Transmission Technology (Tianjin) Co., Ltd., Independent Director of New China Fund Management Co., Ltd. and Chairman of Shanghai TURIN Chi Robot Co., Ltd.

Pan Yingli, Independent Non-executive Director

Pan Yingli, female, obtained a doctor's degree in World Economics from East China Normal University. Ms. Pan has served as Independent Non-executive Director of the Bank since December 2019. She previously served as associate professor, professor and tutor of doctorate candidates in East China Normal University, an invited expert of Shanghai Municipal Government on decision-making consultation, as well as an Independent Non-executive Director of China Merchants Bank Co., Ltd. Ms. Pan currently serves as Director of Research Center for Global Finance at Shanghai Jiao Tong University, professor in Finance at Antai College of Economics and Management of Shanghai Jiao Tong University, Chief Expert of the Decision-making Consultation Research Base Pan Yingli Studio of Shanghai Municipal Government, Independent Non-executive Director of Pujiang International Group Limited and Independent Director of Asia Cuanon Technology (Shanghai) Co., Ltd.

Tang Zhihong, Independent Non-executive Director

Tang Zhihong, male, obtained a Bachelor of Arts degree from Jilin University and is a senior economist. Mr. Tang has served as Independent Non-executive Director of the Bank since March 2023. Mr. Tang previously served as Deputy Director of the Education Department and Deputy Director of the Audit Department of Liaoning branch of the People's Bank of China, Deputy Secretary of Party Group and Vice President, Secretary of Party Group and President of Liaoning Jinzhou branch of the People's Bank of China, Director of Jinzhou branch of the State Administration of Foreign Exchange, Vice President of Shenyang branch of China Merchants Bank Co., Ltd., Deputy Director of Shenzhen management department of China Merchants Bank Co., Ltd., President of Lanzhou branch of China Merchants Bank Co., Ltd., Secretary of the Party Committee and President of Shanghai branch of China Merchants Bank Co., Ltd., Secretary of the Party Committee and Director of the Shenzhen management department of China Merchants Bank Co., Ltd., a member of the Party Committee, Assistant President and Vice President of China Merchants Bank Co., Ltd. He currently serves as Independent Non-executive Director of Harbin Electric Company Limited and External Director of Overseas Chinese Town Holdings Company.

Biographies of Supervisors

Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor

Chen Yuejun, male, obtained a doctor's degree in Economics from the Southwestern University of Finance and Economics, and holds the title of Senior Economist. Mr. Chen has served as Chairman of the Board of Supervisors of the Bank since January 2013. He previously served as Deputy Director and Director of the Audit and Supervision Bureau and Bank Supervision Department I of the PBOC, Deputy Chief of the Sichuan Regulatory Bureau of CBRC, Deputy Director of the Banking Regulatory Department IV of CBRC, and Director (Director General level) of the Financial Work Office of the People's Government of Sichuan Province.

Zhao Yongxiang, Shareholder Representative Supervisor

Zhao Yongxiang, male, obtained a master's degree in Engineering from Beijing University of Posts and Telecommunications and holds the title of Senior Economist. Mr. Zhao has served as Shareholder Representative Supervisor of the Bank since May 2016. He previously served as Deputy Chief of Hebei Shijiazhuang Municipal Post Bureau, Deputy Director of the Planning and Finance Department of the State Post Bureau, Deputy Chief (presiding over the work) and Chief of Hebei Shijiazhuang Municipal Post Bureau, Assistant Counsel of Hebei Post Bureau, Assistant Counsel of Hebei Post Company, Deputy General Manager of the Finance Department, Director General of the Audit Bureau, and Managing Director and Inspection Commissioner of Discipline Inspection Office of the Leading Party Members' Group of China Post Group, Supervisor of Beijing Ule E-Commerce Company Limited, and Chairman of the Board of Supervisors of Hunan Copote Science & Technology Co., Ltd. Mr. Zhao currently serves as Senior Manager of Discipline Inspection Office of the Leading Party Members' Group of China Post Group. He concurrently serves as Chairman of the Board of Supervisors of China Post & Capital Fund Management Co., Ltd.

Wu Yu, External Supervisor

Wu Yu, male, obtained a bachelor's degree in Law from Renmin University of China and holds the title of Senior Editor. Mr. Wu has served as External Supervisor of the Bank since May 2016. He previously served as Chief Editor of Entrepreneurship Weekly Publication, Deputy Director of Chief Editor Office and Director (Deputy Director General level) of Finance News Department at Economic Daily Press, Senior Vice President and Director of ChemChina Asset Management Co., Ltd., Director of Sichuan Tianyi Science & Technology Co., Ltd. (now Haohua Chemical Technology Group Co., Ltd.), and Vice Chairman of Investment Association of Central SOEs. He currently served as General Manager of Yunnan Jinggu Forestry Company Limited.

Bai Jianjun, External Supervisor

Bai Jianjun, male, obtained a master's degree and doctor's degree in Law from Peking University. Mr. Bai has served as External Supervisor of the Bank since October 2019. He previously served as a professor and tutor of doctorate candidates in Peking University Law School, Director of the Research Institute of Empirical Legal Affairs of Peking University, Deputy Director of the Financial Law Research Center of Peking University, a visiting researcher in New York University in the USA, a visiting professor in Niigata University in Japan, External Supervisor of China Construction Bank Corporation, Independent Director of Beijing Boya-Yingjie Science & Technology Co., Ltd, Independent Non-executive Director of CSC Financial Co., Ltd., etc. Mr. Bai currently serves as Independent Director of Sichuan Xinwang Bank Co., Ltd.

Chen Shimin, External Supervisor

Chen Shimin, male, obtained a bachelor's degree and a master's degree in Economics from Shanghai University of Finance and Economics, a doctor's degree in Accounting from the University of Georgia in the USA, and is a Certified Management Accountant in the USA. Mr. Chen has served as External Supervisor of the Bank since December 2019. He previously served as Sub-dean and Curriculum Director of the master's degree programme of business administration of China Europe International Business School, and External Supervisor of Shanghai Pudong Development Bank Co., Ltd. He currently serves as a professor of Accounting and Director of the Case Center in China Europe International Business School, as well as Independent Director of Yincheng International Holding Co., Ltd., Sun. King Power Electronics Group Limited, Advanced Micro-Fabrication Equipment (Shanghai) Inc. China, Huaxia Happiness Foundation Co., Ltd. and China Guangfa Bank Co., Ltd.

Li Yue, Employee Supervisor

Li Yue, male, obtained a bachelor's degree in Arts from Heilongjiang University and holds the title of Senior Corporate Culture Specialist. Mr. Li has served as Employee Supervisor of the Bank since December 2012. He previously served as Project Manager of the Investment Attraction Bureau, Deputy Director and Director of Beijing Liaison Office of Jiangsu Nantong Economic & Technological Development Area, Deputy Director of Beijing Liaison Office of Nantong People's Government of Jiangsu Province, as well as Deputy Director (presiding over the work) of Party and Masses' Affairs Department, Deputy Director of Inspection and Supervision Department, Director of Party and Masses' Affairs Department and Director of Party Committee and Party Building Department of the Bank. He currently serves as Director of Party Building Department, Deputy Secretary to the Party Committee, Secretary of the Party Discipline Inspection Committee and Chairman of the Labour Union of the Head Office of the Bank.

Bu Dongsheng, Employee Supervisor

Bu Dongsheng, male, graduated from the Party School of Liaoning Provincial Committee. Mr. Bu has served as Employee Supervisor of the Bank since May 2017. He previously served as Deputy Director and Director of the Business Division II, Director of the Division IV and Director of the Division II of the Liaoning Fiscal Ombudsman Office of the Ministry of Finance, Vice President of Liaoning Branch, the person in charge of the Audit Office and the President of Hubei Branch of the Bank. He currently serves as President of Anhui Branch of the Bank.

Gu Nannan, Employee Supervisor

Gu Nannan, male, obtained a master's degree in Management from the Australian National University and holds the title of Senior Economist. Mr. Gu has served as Employee Supervisor of the Bank since June 2021. He served as Deputy Director of Personnel and Education Department and Deputy Director of Organization Department of the Party Committee of Beijing Municipal Postal Administration, General Manager of the Human Resources Department of the Beijing Branch of the Bank, Deputy General Manager of the Human Resources Department, Deputy General Manager (presiding over the work) of Office of the Board of Directors and General Manager of Office of the Board of Directors of the Bank. Mr. Gu Nannan currently serves as General Manager of the Office of the Board of Supervisors of the Bank.

Biographies of Senior Management

Liu Jianjun, Executive Director and President

For the biography of Liu Jianjun, please refer to the aforesaid section "Biographies of Directors".

Zhang Xuewen, Executive Director and Vice President

For the biography of Zhang Xuewen, please refer to the aforesaid section "Biographies of Directors".

Yao Hong, Executive Director and Vice President

For the biography of Yao Hong, please refer to the aforesaid section "Biographies of Directors".

Qu Jiawen, Vice President

Qu Jiawen, male, obtained a doctor's degree in Engineering from Harbin Engineering University. He holds the title of professor-level Senior Engineer and is entitled to special government allowance granted by the State Council. Mr. Qu has served as Vice President of the Bank since January 2013. He previously served as Deputy Director of the Planning and Construction Division under Heilongjiang Posts and Telecommunications Administration Bureau, Deputy Director and Director of the Engineering Construction Division, Director of the Network Planning and Cooperation Division, Director of Science & Technology Division, Associate Chief and Deputy Chief of Heilongjiang Post Bureau, Deputy General Manager of Heilongjiang Post Company, and President of Heilongjiang Branch of the Bank. He concurrently serves as Director of China UnionPay and Vice Chairman of China Financial Photographers Association.

Xu Xueming, Vice President

Xu Xueming, male, obtained an Executive Master's degree of Business Administration from Peking University and holds the title of Senior Economist. Mr. Xu has served as Vice President of the Bank since January 2013. He previously served as Deputy Chief of Beijing Postal Savings and Remittance Bureau, Director of the Public Service Division of the Beijing Postal Administration Bureau, Chief of Beijing Western Post Bureau, Deputy Chief of Beijing Postal Administration Bureau, Deputy General Manager of Beijing Post Company, President of Beijing Branch and Secretary to the Board of Directors of the Bank. He concurrently serves as Director of China Post Securities Co., Ltd., Director of Ule Holdings Limited and Director of China Bankers Institute of China Banking Association.

Du Chunye, Vice President, Secretary to the Board of Directors and Joint Company Secretary

Du Chunye, male, obtained a master's degree in Business Administration from Beijing University of Posts and Telecommunications and holds the title of Senior Economist. Mr. Du has served as Joint Company Secretary of the Bank since March 2017, Secretary to the Board of Directors of the Bank since April 2017, and Vice President of the Bank since July 2020. He previously served as Deputy Manager and Manager of the General Manager's Office of China Post Group, as well as General Manager of the General Office, Vice President of Beijing Branch, President of Shenzhen Branch and President of Beijing Branch of the Bank. He concurrently serves as Deputy Chairman of the ESG Special Committee of China Association for Public Companies.

Liang Shidong, Chief Risk Officer

Liang Shidong, male, obtained a doctor's degree in Management from University of Science and Technology of China and holds the title of Researcher. He has served as General Manager of the Risk Management Department of the Bank since January 2020, Chief Risk Officer of the Bank since February 2020 and Chairman of YOU^{+} BANK since December 2021. Mr. Liang previously served as Deputy Director and Director of the Risk Management Department of China Construction Bank, Deputy Director General of the Financial Stability Bureau of the PBOC, a member of the CPC committee of National Association of Financial Market Institutional Investors, and Director of CNIC Corporation Limited. He used to be a member of the Policy Development Committee of the Basel Committee on Banking Supervision (BCBS) and a member of the Steering Committee of the Financial Stability Board (FSB). Mr. Liang previously served as a member of the 12th committee of All-China Youth Federation.

Niu Xinzhuang, Chief Information Officer

Niu Xinzhuang, male, obtained a master's degree in Management from Nanjing University of Aeronautics and Astronautics. He has served as General Manager of the Financial Technology Innovation Department of the Bank since April 2020, and Chief Information Officer of the Bank since July 2020. He previously served as Chief Technology Officer and Supervisor of Shanghai Zhuangliang Information Technology Co., Ltd., Assistant to General Manager, Deputy General Manager and General Manager of the Technology Development Department and General Manager of the Information Technology Department of the Head Office of China Minsheng Banking Corporation Limited, and Executive Director and General Manager of Minsheng Fintech Corp. Ltd. He concurrently serves as member of the 2nd "Internet Plus" Action Expert Advisory Committee of the State Council, an AI expert of the Ministry of Industry and Information Technology, one of the first experts of the Central Enterprise Network Security and Information Service Sharing Alliance, and visiting professor at Zhejiang University, University of International Business and Economics, Beijing Jiaotong University, etc.

Corporate Governance

Changes in Directors, Supervisors and Senior Management Members

Changes in Directors

On April 25, 2022, Mr. Zhang Jinliang submitted a resignation report and resigned from the positions as Chairman and Non-executive Director of the Bank. After the resignation of Mr. Zhang Jinliang, Mr. Liu Jianjun started to perform duties on behalf of Chairman of the Bank. For details, please refer to the announcement of the Bank dated April 25, 2022.

On October 26, 2022, the Board of Directors of the Bank nominated Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli for re-election as Independent Non-executive Directors of the Bank. On November 11, 2022, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli were re-elected as Independent Non-executive Directors of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The term of office of them is three years, commencing from November 11, 2022. For details, please refer to the announcements of the Bank dated October 26, 2022 and November 11, 2022.

On October 26, 2022, the Board of Directors of the Bank nominated Mr. Tang Zhihong as a candidate for Independent Non-executive Director of the Bank. On November 11, 2022, Mr. Tang Zhihong was elected as an Independent Non-executive Director of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. On March 10, 2023, the qualification of Mr. Tang Zhihong as an Independent Non-executive Director of the Bank, Chairman of the Related Party Transactions Control Committee, member of the Risk Management Committee and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank was approved by the CBIRC. The term of office of Mr. Tang Zhihong is three years, commencing from March 10, 2023. Since the date when Mr. Tang Zhihong took office, Mr. Fu Tingmei ceased to serve as an Independent Non-executive Director and other positions in special committees of the Board of Directors of the Bank. For details, please refer to the announcements of the Bank dated October 26, 2022, November 11, 2022 and March 16, 2023.

Changes in Supervisors

On January 4, 2022, Mr. Li Yujie resigned from the positions as Shareholder Representative Supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank due to the reason of age. For details, please refer to the announcement of the Bank dated January 4, 2022.

On July 18, 2022, the Tenth Session of the First Employee Representative Assembly of the Bank elected Mr. Li Yue to be reappointed as the Employee Supervisor. For details, please refer to the announcement of the Bank dated July 18, 2022.

Changes in Senior Management Members

On March 30, 2022, Ms. Tang Junfang ceased to perform the duties of Secretary of the Discipline Inspection Committee of the Bank due to the change of job.

On July 15, 2022, Mr. Shao Zhibao resigned from the position as Vice President of the Bank due to age reasons.

Board of Directors and Special Committees

Functions and Powers of the Board of Directors

The Board of Directors is responsible to the Shareholders' General Meetings. It is responsible for convening the Shareholders' General Meetings, reporting its work at the meetings and implementing resolutions adopted at the Shareholders' General Meetings; making decisions on the Bank's development strategies, business plans and investment plans; reviewing and approving capital management plans and risk capital allocation plans of the Bank; formulating the Bank's annual financial budget and final accounts plans, profit distribution plan and loss recovery plan, plan for the increase or reduction of the Bank's registered capital, plan for issuance of bonds or other marketable securities and listing plan, plans for merger, division, dissolution, liquidation or other changes in the corporate form, plan for repurchase of the Bank's shares, plan for material changes in equity interest or financial reorganization, and capital replenishment plans; making decisions on the general management rules, risk management and internal control policies of the Bank and supervising the implementation of such basic management rules and policies; reviewing and approving the internal audit rules of the Bank; appointing or dismissing the President and the Secretary to the Board of Directors of the Bank according to the nomination of the Chairman of the Board of Directors; appointing or dismissing Vice Presidents and other senior management members according to the nomination of the President and deciding on their remuneration, performance appraisal, incentive and punishment; listening to the risk management report presented by the senior management and evaluating the effectiveness of risk management in the Bank in order to improve the Bank's risk management; regularly assessing and improving the Bank's corporate governance; and examining the work of the senior management to monitor and ensure the effective performance of their management responsibilities, etc.

At present, the Bank has established a comprehensive, standardized and effective policy system and operating mechanism to ensure the independent and proper operation of the Board of Directors and access to timely, complete and independent views and opinions. Specifically, the Bank declared the criteria and procedures for the nomination and election of Directors in the Articles of Association and the working rules of special committees under the Board of Directors. Directors who have a significant interest in the matters discussed by the Board of Directors should refrain from participating in the discussion, and the Board of Directors, the special committees under the Board of Directors, and Independent Directors may hire intermediary agencies or professionals to provide opinions, and the reasonable expenses incurred shall be borne by the Bank. Meanwhile, in the Management Measures for the Information Reporting by the Senior Management of Postal Savings Bank of China Co., Ltd., the Bank specified the type, content, time and method of information reported by the senior management or relevant departments to the Board of Directors and its special committees, to ensure that the Board of Directors and its special committees can obtain accurate business information in a timely manner and make sensible and independent judgments and decisions.

Composition of the Board of Directors and Board Diversity Policy

Composition of the Board of Directors

As of the disclosure date of this report, the Board of Directors comprised 13 Directors, including Executive Directors Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming; and Independent Non-executive Directors Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong.

Board Diversity

The Bank believes that the diversity of Board members is a key factor in maintaining the Bank's sound corporate governance, achieving sustainable development and reaching strategic goals. The appointment of Board members is based on the skills and experience needed for the good operation of the Board of Directors as a whole, adhering to the principle of meritocracy and taking into consideration various aspects, including but not limited to gender, age, culture, education background, professional experience and nationality of Directors. In 2022, in accordance with the Articles of Association and the needs of corporate governance practice, the Bank nominated one Independent Non-executive Director with profound experience in bank management and re-elected three Independent Non-executive Directors, as part of the effort to promote the diversification of the members of the Board of Directors. Currently, all Executive Directors of the Bank have long been engaged in financial management, and are familiar with the operation and management of the Bank; the Non-executive Directors come from government authorities or large state-owned enterprises, and have rich experience in management; and the Independent Non-executive Directors are well-known experts in the fields of economics, finance, law and auditing, etc., and can provide professional advice to the Bank from the perspectives of different fields. There are five Independent Non-executive Directors in the Board of Directors of the Bank, with the latter accounting for more than one-third of the total number of Board members. There are two female Directors in the Board of Directors of the Bank, and the existing gender diversity of the Board of Directors is sufficient. The Board of Directors considers that the nomination policy of Bank can ensure that there will be potential successor candidates available to maintain the existing gender diversity of the Board of Directors.

To build a more diverse Board of Directors, the Nomination and Remuneration Committee of the Board of Directors of the Bank formulated and supervised the implementation of the Board diversity policy. It is responsible for reviewing the implementation of this policy annually and reporting to the Board of Directors, and proposing revisions to the policy to the Board of Directors according to the corporate governance practice to ensure its effectiveness. The Bank set and completed the following measurable objectives to implement the Board diversity policy: (1) ensuring that there is no limitation on gender, age, geographical region, cultural and educational background on selection of Directors; (2) inclusion of Director candidates with working experience in other industries; and (3) inclusion of Director candidates with knowledge and professional experience in different fields. After self-inspection, the Nomination and Remuneration Committee of the Board of Directors believes that the composition of the Board of Directors of the Bank during the reporting period was in line with the requirements of the Board diversity policy.

In addition, the Board of Directors of the Bank attaches great importance to the development of gender diversity of employees, and maintains a reasonable gender ratio of employees. For details, please refer to the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China published on the websites of the SSE, the Hong Kong Stock Exchange and the Bank.

Meetings of the Board of Directors

During the reporting period, the Bank convened 10 meetings of the Board of Directors, reviewed 100 proposals and listened to 23 reports. The Board of Directors deliberated and approved proposals including the fixed asset investment budget, final financial accounts and profit distribution plan, as well as development planning proposals including the three-year capital rolling plan for 2022-2024, and other major matters related to business management and operation such as the non-public issuance of A shares, issuance of write-down undated capital bonds, redemption of overseas preference shares, adjustment of the deposit agency fee rates for the agency Renminbi personal deposit-taking business, selection and appointment of Directors, etc. At the same time, the Board of Directors regularly reviewed work progresses on risk management, internal control, case prevention management, data governance, the implementation of the Board diversity policy, and the rectification pursuant to regulatory opinions, and regularly listened to work reports regarding the implementation of major decisions and plans of the CPC Central Committee in respect of supporting rural revitalization, implementing inclusive financial policies, facilitating the development of the Xiong'an New Area, improving the quality and efficiency of services for the real economy, and carrying out the three-year action plan for SOE reform. All Directors conducted in-depth research and earnest discussions, and put forward many valuable opinions and suggestions at their meetings and during recess periods, which were duly adopted or responded to by the Bank, ensuring that the Board of Directors made well-convinced decisions in leading the reform and development of the Bank.

Meeting	Date	Convening method	Resolutions
First Meeting of the Board of Directors in 2022	February 9, 2022	Written circulation	Reviewed and approved the proposal on completion progress in the rectification of opinions on law enforcement inspection of the PBOC
Second Meeting of the Board of Directors in 2022	February 28, 2022	Written circulation	Reviewed and approved 2 proposals including the amendment to the Consolidated Capital Management Measures
Third Meeting of the Board of Directors in 2022	March 30, 2022	On-site	Reviewed and approved 28 proposals including the 2021 annual report, highlights and results announcement
Fourth Meeting of the Board of Directors in 2022	April 25, 2022	Written circulation	Reviewed and approved the proposal on the election of Executive Director Liu Jianjun to perform duties on behalf of Chairman of the Board of Directors
Fifth Meeting of the Board of Directors in 2022	April 29, 2022	On-site	Reviewed and approved 10 proposals including the fixed asset investment budget plan
Sixth Meeting of the Board of Directors in 2022	May 30, 2022	On-site	Reviewed and approved 10 proposals including the issuance of write-down undated capital bonds
Seventh Meeting of the Board of Directors in 2022	August 22, 2022	On-site	Reviewed and approved 13 proposals including the 2022 interim report, highlights and results announcement
Eighth Meeting of the Board of Directors in 2022	September 29, 2022	On-site	Reviewed and approved 2 proposals including the adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business
Ninth Meeting of the Board of Directors in 2022	October 26, 2022	On-site	Reviewed and approved 25 proposals including the non-public issuance of A shares
Tenth Meeting of the Board of Directors in 2022	December 28, 2022	On-site	Reviewed and approved 8 proposals including the report on special audit of anti-money laundering

Attendance of Directors at Meetings

During the reporting period, the attendance of Directors at Shareholders' General Meetings, meetings of the Board of Directors and special committees of the Board of Directors is listed below:

Number of attendance in person/Number of meetings that should be attended

Director	Shareholders' General Meeting	Board of Directors			Strategic Planning Committee	Related Party Transactions Control Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Social Responsibility and Consumer Rights Protection Committee
	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of on-site meetings attended	Number of attendance by proxy	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended
Executive Directors										
Liu Jianjun	2/3	10/10	7	0	5/5	–	–	–	7/7	4/4
Zhang Xuewen	3/3	10/10	7	0	5/5	4/4	–	–	7/7	–
Yao Hong	3/3	10/10	7	0	5/5	4/4	–	7/7	–	4/4
Non-executive Directors										
Han Wenbo	3/3	10/10	7	0	5/5	–	–	7/7	–	–
Chen Donghao	3/3	10/10	7	0	–	–	–	7/7	–	4/4
Wei Qiang	3/3	10/10	7	0	–	–	7/7	7/7	–	–
Liu Yue	1/3	10/10	7	0	5/5	–	5/7	–	–	–
Ding Xiangming	1/3	8/10	5	2	–	–	–	5/7	–	4/4
Independent Non-executive Directors										
Wen Tiejun	3/3	10/10	7	0	5/5	–	6/7	–	7/7	–
Chung Shui Ming Timpson	3/3	9/10	6	1	–	4/4	7/7	0/0	–	–
Hu Xiang	3/3	10/10	7	0	5/5	–	6/7	–	–	4/4
Pan Yingli	3/3	10/10	7	0	–	4/4	7/7	–	7/7	–
Tang Zhihong	–	–	–	–	–	–	–	–	–	–
Resigned Directors										
Zhang Jinliang	–	3/3	1	0	1/1	–	–	–	–	–
Fu Tingmei	3/3	10/10	7	0	–	4/4	–	7/7	7/7	–

Note (1): "Attendances in person" refers to on-site attendances and attendances by way of electronic communications, such as telephone and video conferences. During the reporting period, Directors who did not attend the meetings of the Board of Directors and its special committees in person had designated other Directors as proxies to attend and vote on their behalf at the meetings.

Note (2): On April 25, 2022, Mr. Zhang Jinliang resigned from positions of Chairman, Non-executive Director and chairman and member of the Strategic Planning Committee of the Board of Directors of the Bank due to change of job.

Note (3): In 2022, no Directors of the Bank were absent from the meetings of the Board of Directors, or did not attend meetings of the Board of Directors in person for two consecutive times or did not attend more than two thirds of the meetings of the Board of Directors on site.

Note (4): On December 28, 2022, the Board of Directors of the Bank held the tenth meeting of 2022, reviewing and approving the proposal regarding changes in members of Board committees. Director Ding Xiangming ceased to be, and Director Chung Shui Ming Timpson acted as, a member of the Risk Management Committee with effect from the date of resolution.

Note (5): On March 10, 2023, the qualification of Mr. Tang Zhihong as an Independent Non-executive Director of the Bank, Chairman of the Related Party Transactions Control Committee, member of the Risk Management Committee and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank was approved by the CBIRC.

Corporate Governance

Special Committees of the Board of Directors

There are six special committees under the Board of Directors, namely the Strategic Planning Committee, Related Party Transactions Control Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Social Responsibility and Consumer Rights Protection Committee. For details of adjustments to members of the special committees of the Board of Directors, please refer to "Corporate Governance – Directors, Supervisors and Senior Management".

During the reporting period, within the scope authorized by the Board of Directors and in accordance with the Bank's Articles of Association and relevant rules of procedure, special committees of the Board of Directors gave full play to their expertise and diligently performed their duties. The special committees convened 34 meetings, at which they reviewed 102 proposals and heard 15 reports, focusing on major matters including the Bank's development strategy, connected transaction management, internal and external audits, risk management, internal control and compliance, nomination and remuneration, consumer rights protection, and fulfillment of social responsibilities. They actively put forward opinions and suggestions to the Board of Directors, which provided strong support for the well-grounded and efficient decision-making of the Board of Directors.

Strategic Planning Committee

As at the disclosure date of this report, the Strategic Planning Committee comprised seven Directors, namely, Executive Directors Mr. Liu Jianjun, Mr. Zhang Xuewen, and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo and Mr. Liu Yue; and Independent Non-executive Directors Mr. Wen Tiejun and Mr. Hu Xiang. Mr. Liu Jianjun assumes duties on behalf of the Chairman of the Committee.

The Committee primarily performs such duties as reviewing the implementation of major plans and decisions of the CPC Central Committee, the Bank's business objectives, overall strategic development plans and special strategic development plans, strategic capital allocation and assets and liabilities management objectives, business development plans, development plans for inclusive finance business, major management policies, major investment and financing plans and other matters significant to the development of the Bank, and proposes suggestions to the Board of Directors.

In 2022, the Strategic Planning Committee convened five meetings, at which it reviewed and approved 27 proposals and heard one report. It reviewed and approved proposals on supporting rural revitalization, implementing inclusive financial policies, serving the development of Xiong'an New Area, serving the real economy, and serving the high-quality development of the manufacturing industry, strictly implemented major plans and decisions of the CPC Central Committee and improved the quality and efficiency of the work on inclusive finance on all fronts. It also reviewed and approved proposals including the assessment report on implementation of the 14th Five-Year Plan Outline in 2021, strengthened strategic guidance and pushed forward the implementation of key strategic measures. It reviewed and approved proposals regarding the non-public issuance of A shares, the issuance of write-down undated capital bonds, the annual asset and liability business plan, and the annual capital allocation plan, which provided drive for enhancing capital strength and risk resistance ability and achieving sustainable development.

(The Strategic Planning Committee met on March 30, 2022, April 29, 2022, May 30, 2022, October 26, 2022, and December 28, 2022, respectively.)

Related Party Transactions Control Committee

As at the disclosure date of this report, the Related Party Transactions Control Committee comprised five Directors, namely, Executive Directors Mr. Zhang Xuewen and Ms. Yao Hong, and Independent Non-executive Directors Mr. Tang Zhihong, Mr. Chung Shui Ming Timpson, and Ms. Pan Yingli. Mr. Tang Zhihong is the Chairman of the Committee.

The Committee primarily performs such duties as managing matters on connected transactions of the Bank, reviewing the basic management policies for connected transactions, supervising their implementation and making suggestions to the Board of Directors; identifying related parties of the Bank, reporting to the Board of Directors and Board of Supervisors, promptly informing relevant personnel of the Bank, reviewing major connected transactions or other connected transactions subject to the approval of the Board of Directors or the Shareholders' General Meeting, and submitting to the Board of Directors or the Shareholders' General Meeting through the Board of Directors for approval.

In 2022, the Related Party Transactions Control Committee convened four meetings, at which it reviewed and approved five proposals. It reviewed and approved the proposals including the adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business by the Bank and China Post Group, and the adjustment to caps for connected transactions of provision of bancassurance services by the Bank to China Post Group and its associates from 2022 to 2024. It focused on reviewing the compliance, fairness and necessity of connected transactions, and made suggestions thereon to the Board of Directors. It also reviewed and approved proposals on the amendment to the Management Measures for Connected Transactions of Postal Savings Bank of China, the annual special report on connected transactions and related parties, etc. The Committee timely improved the connected transaction management mechanism in accordance with new regulatory rules, updated the criteria for identifying related parties, and provided opinions and suggestions to the Board of Directors on strengthening the Bank's connected transaction management.

(The Related Party Transactions Control Committee met on April 27, 2022, August 12, 2022, September 29, 2022 and December 23, 2022, respectively.)

Audit Committee

As at the disclosure date of this report, the Audit Committee comprised six Directors, namely, Non-executive Directors Mr. Wei Qiang and Mr. Liu Yue; and Independent Non-executive Directors Mr. Chung Shui Ming Timpson, Mr. Wen Tiejun, Mr. Hu Xiang, and Ms. Pan Yingli. Mr. Chung Shui Ming Timpson is the Chairman of the Committee.

The Committee primarily performs such duties as supervising the Bank's internal control, reviewing its major financial and accounting policies and their implementation, reviewing its basic audit management policies, rules, medium- and long-term plans as well as annual work plans, supervising and evaluating the work of the internal audit department, proposing the engagement or dismissal of accounting firms, making suggestions to the Board of Directors, etc.

In 2022, the Audit Committee convened seven meetings, at which it reviewed and approved 21 proposals and heard 7 reports. It provided opinions and suggestions to the Board of Directors on issues such as maintaining a healthy and sound financial position, refining the internal control system, strengthening the supervision and management of internal and external audits, etc.

(The Audit Committee met on February 25, 2022, March 28, 2022, April 26, 2022, August 19, 2022, October 13, 2022, October 24, 2022, and December 21, 2022, respectively.)

Regularly reviewing the Bank's financial status and financial reports and supervising the Bank's stable financing operation

The Audit Committee reviewed and approved proposals on the financial statements and auditor's report for 2021, the financial statements for the first quarter of 2022, the interim financial statements and review report of 2022, the financial statements for the third quarter of 2022, etc. It expressed opinions on the truthfulness, completeness and accuracy of the information contained in the financial reports, and put forward opinions and suggestions on improving forward-looking prediction of the economic and financial situations, strengthening asset quality management, and vigorously developing the intermediary business. Moreover, the Committee reviewed and approved the financial statements and auditor's report for 2022, which were, together with the 2022 annual report, highlights and results announcement, submitted for the deliberation and approval of the Board of Directors.

Regularly assessing the effectiveness of internal control and providing guidance on the internal audit work

The Audit Committee reviewed and approved the 2021 internal control assessment report, and regularly supervised and assessed the effectiveness of the Bank's internal control system by reviewing the Bank's policies and their implementation, and checking and evaluating the compliance and effectiveness of major business activities. The Committee reviewed and approved the audit reports for 2021, the first half of 2022 and third quarter of 2022, and the 2022 audit plan. It also supervised and provided guidance on the work of the internal audit department, ensured that the audit department had sufficient resources for functioning, and provided opinions and suggestions to the Board of Directors on improving the quality and efficiency of the internal audit work. The Committee reviewed and approved a number of audit reports on business continuity and implementation of the internal capital adequacy assessment procedures and the follow-up audits on rectification and accountability of audit findings. It checked the implementation and effects of work procedures and strengthened the application of audit findings.

Strengthening the engagement and management of auditing firms and fully leveraging the role of external audit

The Audit Committee provided guidance on the performance evaluation of accounting firm in 2021 and re-engagement of accounting firm for 2022; listened to the accounting firms' reports on the annual audit for 2021, review of the 2022 interim financial statements, the procedures for agreeing on the quarterly financial statements, the audit work plan for 2022, etc.; supervised and evaluated the work of accounting firm to ensure the independence and effectiveness of its work, with a focus on information security management; and continued to strengthen communication between internal and external auditors, promoted the rectification of problems found in internal and external audits, and continued to improve the quality and efficiency of audit work.

Risk Management Committee

As at the disclosure date of this report, the Risk Management Committee comprised six Directors, namely, Executive Director Ms. Yao Hong, Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, and Mr. Wei Qiang, and Independent Non-executive Directors Mr. Chung Shui Ming Timpson and Mr. Tang Zhihong. Mr. Han Wenbo is the Chairman of the Committee.

The Committee primarily performs such duties as, based on the Bank's overall strategic development plan, reviewing and revising the Bank's risk management strategies, basic policies on risk management, risk appetite, comprehensive risk management framework, and important procedures and policies of risk management; reviewing risk capital allocation plans; reviewing risk management reports; and making suggestions to the Board of Directors.

In 2022, the Risk Management Committee convened seven meetings, at which it reviewed and approved 30 proposals and heard five reports. It kept close watch on the effectiveness of the Bank's comprehensive risk management, and provided opinions and advice to the Board of Directors on strengthening the risk management of agency financial services, consolidated management of subsidiaries, and enhancing forward-looking study of risk management, etc.

(The Risk Management Committee met on February 25, 2022, March 24, 2022, April 26, 2022, May 24, 2022, August 12, 2022, October 24, 2022, and December 22, 2022, respectively.)

Defining the objectives and requirements of the Bank's risk management and enhancing the guiding role of risk management for business development

The Risk Management Committee reviewed and approved the risk management strategy and risk appetite plan for 2022, the capital adequacy management objectives for 2022, the three-year capital rolling plan for 2022-2024 and the capital adequacy ratio management plan for 2022; and specified the Bank's overall risk management requirements, management objectives and strategies, which aimed at achieving a long-term balance between stabilizing growth and preventing risks to continuously create value by risk management.

Continuously refining the risk management and internal control system and regularly evaluating the comprehensiveness and effectiveness of risk management, internal control and compliance

The Risk Management Committee reviewed and approved five basic management policies, namely the Management Measures for Risk Measurement Models, the Management Measures for Credit Rating of Corporate Customers, the Management Measures for Liability Quality, the Management Measures for the Recovery and Disposal Plans, and the Management Measures for the Implementation of Expected Credit Loss Method; improved the risk management and internal control policies; promoted the implementation of the advanced approaches for capital management in an orderly way; and strengthened the application and monitoring of implementation. The Committee regularly reviewed proposals regarding the annual, interim and quarterly comprehensive risk management reports, the annual internal control and compliance management report, the annual work report and work plan for case prevention, etc. It also regularly assessed the status, comprehensiveness, and effectiveness of the Bank's risk management and compliance, and provided opinions and suggestions to the Board of Directors on improving risk management and internal control as well as strengthening system coordination between three lines of defense.

Nomination and Remuneration Committee

As at the disclosure date of this report, the Nomination and Remuneration Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Liu Jianjun and Mr. Zhang Xuewen; and Independent Non-executive Directors Mr. Wen Tiejun, Ms. Pan Yingli, and Mr. Tang Zhihong. Mr. Wen Tiejun is the Chairman of the Committee.

The Committee primarily performs such duties as conducting annual review on the structure, size and composition of the Board of Directors, and making suggestions in respect of its size and composition; formulating the criteria and procedures for the selection and appointment of Directors, chairmen and members of special committees of the Board of Directors and senior management members, performing preliminary review on the qualifications and qualities of candidates for

Directors and senior management members, and making recommendations to the Board of Directors; formulating performance evaluation methods for Directors, appraisal methods for senior management members, and remuneration policies or plans for Directors and senior management members, and submitting them to the Board of Directors for consideration.

The Articles of Association sets out the procedures and methods for the nomination of Directors and specific requirements for the appointment of Independent Non-executive Directors. When reviewing the qualifications of Director candidates, the Nomination and Remuneration Committee mainly considers whether they meet the requirements of laws and regulations for directorship, whether they can be faithful and diligent in fulfilling their duties, whether they understand the Bank's operation and management and accept supervision of the Board of Supervisors on their performance, and considers the diversity requirements of the Board of Directors at the same time. For details, please refer to the Articles of Association and Rules of Procedure for the Nomination and Remuneration Committee of Postal Savings Bank of China Co., Ltd. on the Bank's website. During the reporting period, the Bank strictly implemented relevant provisions of the Articles of Association in appointing or renewing the appointment of Directors of the Bank.

In 2022, the Nomination and Remuneration Committee convened seven meetings, at which it reviewed and approved 12 proposals. It reviewed and approved the proposals on the structure, size and composition of the Board of Directors and the implementation of the Board diversity policy, regularly reviewed the structure, size and composition of the Board of Directors and the implementation of the Board diversity policy, and continued to promote the development of Board diversity; reviewed and approved the proposals on the evaluation of Directors' performance in 2021 by the Board of Directors, the remuneration settlement plan for Directors, senior management and heads of internal audit department for 2021, etc., and strengthened the incentive and restraint mechanism for Directors and senior management in accordance with regulatory requirements; reviewed and approved the proposals on the qualifications and conditions of the Independent Directors including Wen Tiejun, Chung Shui Ming Timpson, Pan Yingli and Tang Zhihong, the adjustment of the composition of the special committees under the Board of Directors, strengthened the examination of Directors' qualifications, and constantly optimized the composition of the special committees of the Board of Directors.

(The Nomination and Remuneration Committee met on February 25, 2022, March 25, 2022, May 20, 2022, August 19, 2022, October 13, 2022, October 25, 2022, and December 23, 2022, respectively.)

Social Responsibility and Consumer Rights Protection Committee

As at the disclosure date of this report, the Social Responsibility and Consumer Rights Protection Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Liu Jianjun and Ms. Yao Hong, Non-executive Directors Mr. Chen Donghao and Mr. Ding Xiangming, and Independent Non-executive Director Mr. Hu Xiang. Mr. Liu Jianjun is the Chairman of the Committee.

The Committee primarily performs duties such as developing strategies, policies and objectives of social responsibility and consumer rights protection in line with the Bank's development strategies and actual situation, developing relevant basic management policies and submitting them to the Board of Directors for approval before implementation; regularly listening to reports of the senior management on the progress in consumer rights protection according to the authorization of the Board of Directors, and supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's consumer rights protection as well as duty performance of the senior management.

In 2022, the Social Responsibility and Consumer Rights Protection Committee convened four meetings, at which it reviewed and approved seven proposals and heard two work reports. It reviewed and approved the proposals on the annual work and plan of consumer protection, annual evaluation and special audit reports on consumer protection, etc., listened to the report on complaints referred from the regulators, regularly supervised, evaluated and provided guidance on the consumer rights protection work across the Bank, and made suggestions to the Board of Directors. It also reviewed and approved the 2021 Corporate Social Responsibility (Environmental, Social and Governance) Report and the 2021 Work Report on Green Bank Development, listened to the ESG peer benchmarking report, continued to enhance the capability to support green finance service, and actively and fully performed its social responsibility as a major state-owned bank.

(The Social Responsibility and Consumer Rights Protection Committee met on March 23, 2022, May 26, 2022, August 12, 2022, and October 25, 2022, respectively.)

Directors' Responsibilities for Financial Reporting

Directors are responsible for overseeing the preparation of financial statements for each accounting period so that financial statements can give a true and fair view of the Bank's financial position, operating results and cash flows. During the preparation of the financial statements for 2022, the Directors fully adopted and applied appropriate accounting policies, and made prudent and reasonable judgments and estimates.

During the reporting period, the Bank complied with the requirements of relevant laws and regulations and listing rules of places where the Bank's shares are listed, and completed the disclosure of the 2021 Annual Report and 2021 Results Announcement, First Quarterly Report of 2022, 2022 Interim Report and 2022 Interim Results Announcement, and Third Quarterly Report of 2022.

Terms of Office of Directors

The Bank strictly complies with the requirements of the SSE Listing Rules, the Hong Kong Listing Rules and the Articles of Association that the Directors shall be elected by the Shareholders' General Meeting with a term of office of three years. Directors may be re-elected after the expiration of their terms of office, and the consecutive term of office shall commence from the date of approval by the Shareholders' General Meeting.

Surveys, Researches and Training Attended by Directors and Company Secretaries

Directors' Participation in Surveys and Researches

During the reporting period, the Directors of the Bank took the initiative to conduct surveys of 72 person-times in various forms, they produced a number of research reports on topics such as comprehensive risk management, internal control and compliance management of agency financial business, collaboration between the Bank and China Post Group to support rural revitalization, serving SMEs, management of subsidiaries, etc. They put forward suggestions on forestalling financial risks, strengthening management of agency branches, enhancing equity management and consolidated management, etc., as reference for the decision-making of the Board of Directors and senior management.

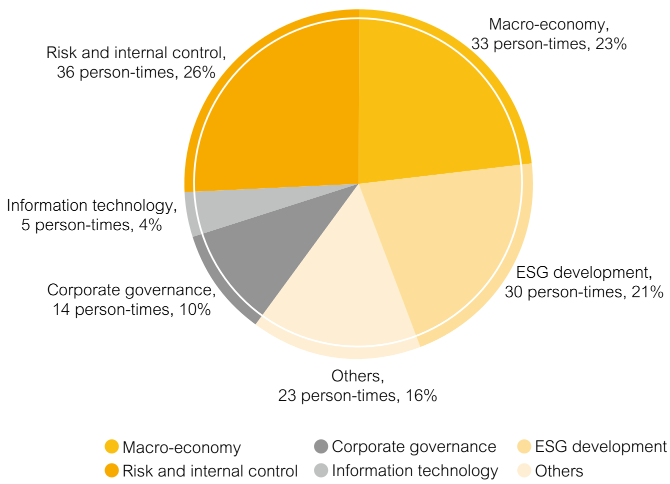
Directors' Participation in Training

During the reporting period, the Bank made an overall plan for the training of Directors and meticulously selected training institutions, subjects and trainers, and organized Directors to participate in training through on-site and online meetings with up to 141 person-times, which helped them to keep up with domestic and international economic, financial and industry trends, and improve their competence in an all-round way.

During the reporting period, in strict compliance with the Hong Kong Listing Rules and relevant regulatory requirements, the Directors of the Bank actively participated in a series of training sessions organized by the MOF, the SSE, the associations for public companies, other third-party agencies and the Bank, covering a wide range of topics such as macroeconomic situations, corporate governance, investor relations management, responsibilities and legal obligations of directors, supervisors and senior management, anti-money laundering and counter-terrorist financing, ESG development and green finance, etc. During the reporting period, all Directors attended the training.

Types of training	Main training topics
Training organized by regulators and self-regulation organizations	Training held by the MOF, the SSE, the associations for public companies and The Hong Kong Chartered Governance Institute, covering a wide range of topics such as interpretation of domestic and international economic situations, responsibilities and legal obligations of directors, supervisors and senior management members
Training organized by third-party institutions	Bank wealth management and allocation of major asset categories Sustainable development Financial consumers protection Disclosure of ESG report and active management of ESG rating Models of serving the real economy by commercial banks
Special training organized by the Bank	Anti-money laundering and counter-terrorist financing Information technology Connected transactions Management of agency financial business Other themes related to operation and management

Training categories and percentage



Company Secretaries' Participation in Training

Mr. Du Chunye and Dr. Ngai Wai Fung, Director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited, are joint company secretaries of the Bank.

During the reporting period, the company secretaries met requirements set in Rule 3.29 of the Hong Kong Listing Rules with far more hours spent in professional training in the year than the minimum regulatory requirement of 15 hours. The primary contact person of Dr. Ngai Wai Fung at the Bank is Mr. Du Chunye.

Independence and Duty Performance of Independent Non-executive Directors

During the reporting period, the qualifications, number and proportion of the Bank's Independent Non-executive Directors were in full compliance with the requirements of regulatory authorities. The Independent Non-executive Directors did not have any business or financial interests of the Bank and did not hold any managerial position in the Bank. The Bank has received annual independence confirmations from all Independent Non-executive Directors and confirmed their independence.

The Independent Non-executive Directors of the Bank earnestly attended the Shareholders' General Meeting, the meetings of the Board of Directors and special committees, and expressed objective and impartial opinions based on the overall interests of the Bank by fully leveraging their professional expertise and working experiences, in a bid to safeguard the rights of depositors and minority shareholders. During the reporting period, the Independent Non-executive Directors provided independent opinions on the special report on connected transactions in 2021, adjustment to caps of connected transaction amounts, engagement of accounting firms, profit distribution plan for 2021, distribution of dividends on preference shares, selection and appointment of Directors, remuneration settlement, adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business, and non-public issuance of A shares; and expressed prior approval on the special report on connected transactions in 2021, adjustment to caps of connected transaction amounts, engagement of accounting firms, and adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business in 2021, etc. They earnestly reviewed the 2021 Annual Report and 2021 Results Announcement, First Quarterly Report of 2022, 2022 Interim Report and 2022 Interim Results Announcement and Third Quarterly Report of 2022 to ensure the disclosed contents were true, accurate and complete. The Independent Director Committee, which is comprised of all Independent Non-executive Directors of the Bank, held meetings to discuss the adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business, provided guidance on the selection and engagement of independent financial advisors, organized independent financial advisors to provide opinions on the adjustment to deposit agency fee rates for agency Renminbi personal deposit-taking business to the Independent Director Committee and independent shareholders, and issued independent opinions and prior approval on major connected transactions. During the reporting period, the Bank's Independent Non-executive Directors did not raise any objections to resolutions of the Board of Directors or special committees.

By attending operation and management work meetings of the Bank, hearing special reports from the operation and communicating with external auditors, the Independent Non-executive Directors of the Bank strengthened communication with the Board of Supervisors, the senior management, business departments and external auditors to comprehensively learn about the operation and management of the Bank. They earnestly performed their duties with integrity and diligence, complied with the working rules for Independent Non-executive Directors, provided strong support to the Board of Directors for sound decision-making, safeguarded the interests of the Bank and all shareholders and worked for the Bank for far more than 15 working days.

On December 28, 2022, the Bank organized and convened a symposium for Independent Directors, at which all Independent Non-executive Directors exchanged views and discussed matters including improving corporate governance, enhancing risk management, realizing further transformation and development, etc., earnestly providing opinions and suggestions for business development after taking into account of both internal and external environment and the Bank's actual situations. The Bank attached great importance to the opinions and suggestions of the Independent Non-executive Directors and timely organized researches and implementation based on the actual situations of the Bank.

Board of Supervisors and Special Committees

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank, and is accountable to the Shareholders' General Meeting. It exercises the following functions and powers according to the requirements of the Company Law of the People's Republic of China and the Articles of Association: to supervise the duty performance of the Board of Directors and senior management, to supervise and make enquiries on the duty performance of Directors and senior management members, and to urge Directors and senior management members to correct their conduct that is detrimental to the interests of the Bank; to propose the removal of or initiate legal proceedings against Directors and senior management members who violate laws, administrative regulations, the Articles of Association or the resolutions of Shareholders' General Meetings; to inspect and supervise the Bank's financial activities; to supervise matters such as business decision-making, risk management and internal control, and give guidance to the internal audit department of the Bank to independently perform the duty of auditing and supervision, and carry out business management and evaluation of the internal audit department; to propose the convening of extraordinary general meetings, and convene and preside over the meeting when the Board of Directors fail to perform its duty of convening and presiding over the meeting as stipulated in the Company Law of the People's Republic of China; to make proposals to the Shareholders' General Meeting; to formulate amendments to the rules of procedures of the Board of Supervisors; to supervise the implementation of policies and basic management rules of the Bank; to nominate Shareholder Representative Supervisors, External Supervisors and Independent Directors; to conduct audit on resigning Directors and senior management members as required; to negotiate with the Directors on behalf of the Bank; to examine financial information to be submitted to the Shareholders' General Meeting by the Board of Directors, including financial reports, business reports, profit distribution plans, etc., and in case of any doubt, to entrust certified public accountants and auditors to assist in the review in the name of the Bank; to review the Bank's periodic reports prepared by the Board of Directors, and provide review opinions in writing; to supervise the appointment, dismissal, re-appointment and audit of the Bank's external auditors; to formulate measures for evaluating the duty performance of Supervisors; to formulate remuneration policies or plans for Supervisors, and propose remuneration allocation plans for Supervisors based on their performance evaluation, and submit them to the Shareholders' General Meeting for approval.

Composition of the Board of Supervisors

As of the disclosure date of this report, the Board of Supervisors of the Bank consisted of eight Supervisors, namely Mr. Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor; Shareholder Representative Supervisor Mr. Zhao Yongxiang; External Supervisors Mr. Wu Yu, Mr. Bai Jianjun and Mr. Chen Shimin; and Employee Supervisors Mr. Li Yue, Mr. Bu Dongsheng and Mr. Gu Nannan. For details of current Supervisors, please refer to "Corporate Governance – Directors, Supervisors and Senior Management".

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held seven meetings (five on-site meetings and two meetings by written circulation) in strict accordance with relevant laws and regulations, the Articles of Association and the rules of procedure of the Board of Supervisors, at which it studied and reviewed 98 proposals and supervision items, including the 2022 work plan of the Board of Supervisors, the 2021 Annual Report, highlights and results announcement, the final financial accounts for 2021, the 2021 profit distribution plan, the 2021 internal control evaluation report, the 2021 work report of the Board of Supervisors, the 2021 evaluation report on the performance of the Board of Directors, the senior management and their members by the Board of Supervisors, the 2021 evaluation report on the performance of the Board of Supervisors and its members, the 2021 remuneration settlement plan for supervisors, etc.

Meeting	Date	Convening method	Resolutions
First Meeting of the Board of Supervisors in 2022	February 28, 2022	Written circulation	Reviewed and approved the proposal on the 2022 work plan of the Board of Supervisors
Second Meeting of the Board of Supervisors in 2022	March 30, 2022	On-site	Reviewed and approved the proposals including the 2021 annual report, highlights and results announcement, etc.
Third Meeting of the Board of Supervisors in 2022	April 29, 2022	On-site	Reviewed and approved the proposals including the engagement of accounting firm for 2022, etc.
Fourth Meeting of the Board of Supervisors in 2022	May 30, 2022	On-site	Heard the report on comprehensive risk management for the first quarter of 2022, etc.
Fifth Meeting of the Board of Supervisors in 2022	August 22, 2022	On-site	Reviewed and approved the proposals including the 2022 interim report, highlights and results announcement, etc.
Sixth Meeting of the Board of Supervisors in 2022	October 26, 2022	Written circulation	Reviewed and approved the proposals including the 2021 remuneration settlement plan for Supervisors, etc.
Seventh Meeting of the Board of Supervisors in 2022	December 28, 2022	On-site	Reviewed and approved the proposals including the 2022 evaluation report on the performance of the Board of Directors, the Senior Management and its members by the Board of Supervisors

Attendance of Supervisors at Meetings

The attendance of the Bank's Supervisors at meetings of the Board of Supervisors and its special committees during the reporting period is listed below:

Number of attendance in person/Number of meetings that should be attended

	Board of Supervisors			Nomination Committee	Duty Performance Supervision Committee	Finance and Internal Control Risk Supervision Committee
Supervisors	Number of attendance in person/Number of meetings that should be attended	Number of on-site meetings attended	Number of attendance by proxy	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended
Shareholder Representative Supervisors						
Chen Yuejun	7/7	5	0	—	—	—
Zhao Yongxiang	7/7	5	0	—	4/4	—
External Supervisors						
Wu Yu	7/7	5	0	—	—	6/6
Bai Jianjun	7/7	5	0	1/1	—	—
Chen Shimin	7/7	5	0	—	4/4	—
Employee Supervisors						
Li Yue	7/7	5	0	1/1	4/4	5/5
Bu Dongsheng	7/7	5	0	—	—	6/6
Gu Nannan	7/7	5	0	1/1	4/4	6/6
Resigned Supervisor						
Li Yujie	0/0	0	0	0/0	—	—

Note (1): "Attendance in person" refers to on-site attendances and attendances by way of electronic communications, such as telephone and video conferences. During the reporting period, Supervisors who were unable to attend the meetings of the Board of Supervisors and its special committees in person had entrusted other Supervisors as proxies to attend and to vote on their behalf at the meetings.

Note (2): Mr. Li Yue has been re-elected as Employee Supervisor of the Bank since July 18, 2022, and has been a member of the Nomination Committee, Duty Performance Supervision Committee, and Finance and Internal Control Risk Supervision Committee under the Board of Supervisors since August 22, 2022.

Note (3): Mr. Li Yujie resigned as a Shareholder Representative Supervisor and a member of the Nomination Committee under the Board of Supervisors of the Bank on January 4, 2022.

Note (4): In 2022, there were no cases in which the Bank's Supervisors were absent from the meetings of the Board of Supervisors, Supervisors did not attend meetings of the Board of Supervisors in person twice in a row, or Supervisors did not attend more than two thirds of on-site meetings of the Board of Supervisors in person.

Special Committees of the Board of Supervisors

There are three special committees under the Board of Supervisors of the Bank, namely the Nomination Committee, Duty Performance Supervision Committee, and Finance and Internal Control Risk Supervision Committee.

Nomination Committee

As of the disclosure date of this report, the Nomination Committee of the Board of Supervisors comprised three members, namely, External Supervisor Mr. Bai Jianjun, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Bai Jianjun. The Nomination Committee is mainly responsible for the formulation of procedures and criteria for the selection and appointment of Shareholder Representative Supervisors and External Supervisors, the preliminary review of their eligibility for appointment and qualifications, as well as other matters authorized by the Board of Supervisors. During the reporting period, the Nomination Committee held one meeting to study and review matters including the 2021 remuneration settlement plan for Supervisors.

Duty Performance Supervision Committee

As of the disclosure date of this report, the Duty Performance Supervision Committee of the Board of Supervisors comprised four members, namely, External Supervisor Mr. Chen Shimin, Shareholder Representative Supervisor Mr. Zhao Yongxiang, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Chen Shimin. The Duty Performance Supervision Committee is mainly responsible for supervising and evaluating the performance of duties of the Board of Directors, the senior management and their members, providing advice to the Board of Supervisors, and handling other matters authorized by the Board of Supervisors. During the reporting period, the Duty Performance Supervision Committee held four meetings, at which it studied and reviewed matters including the analysis report on the evaluation results of the performance of the Board of Directors, the senior management and its members in 2021, the report on assessment of substantial shareholders in 2021, etc.

Finance and Internal Control Risk Supervision Committee

As of the disclosure date of this report, the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank comprised four members, namely, External Supervisor Mr. Wu Yu, Employee Supervisors Mr. Li Yue, Mr. Bu Dongsheng and Mr. Gu Nannan, and was chaired by Mr. Wu Yu. The Finance and Internal Control Risk Supervision Committee is mainly responsible for researching and submitting supervision reports on the Bank's finance, internal control and risk management, supervising the establishment and improvement of the Bank's internal control governance structure and comprehensive risk management governance structure, and handling other matters authorized by the Board of Supervisors. During the reporting period, the Finance and Internal Control Risk Supervision Committee held six meetings, at which it reviewed the report on the rectification of the supervision opinions for 2021, and the report on duty performance, risk management, internal control and financial supervision for 2021, etc.

Functions of Senior Management

Senior management members refer to the Bank's President, Vice Presidents, Secretary to the Board of Directors, and other senior management members designated by the Board of Directors. All senior management members are collectively referred to as senior management. During the reporting period, the senior management of the Bank carried out business management activities within the scope of the Articles of Association and the authorization of the Board of Directors, studied the internal and external situations in depth in accordance with the annual business objectives set by the Board of Directors, firmly guarded against risks, and carried out work with solid steps to achieve continuous improvement of business performance.

The President of the Bank is accountable to the Board of Directors, and exercises the following functions and powers: to take charge of the operation and management of the Bank, to organize the implementation of the resolutions of the Board of Directors, and to report to the Board of Directors on its work; to formulate specific rules of the Bank (other than internal audit rules); to formulate business plans and investment plans of the Bank, and to organize the implementation of such plans upon approval by the Board of Directors; to formulate policies and fundamental management rules of the Bank, and to make proposals to the Board of Directors; to prepare the Bank's annual financial budget plan and final accounts plan, capital management plan, risk capital allocation plan, profit distribution plan, loss recovery plan, plan for increase or reduction of registered capital, plans for issuance of bonds or other marketable securities, listing plan, share repurchase plan, and to make suggestions to the Board of Directors; to authorize Vice Presidents, other senior management members, heads of departments in the Head Office, heads of domestic and overseas tier-1 branches, branches and other institutions directly under the Head Office as well as overseas institutions to carry out daily operation and management activities within the scope authorized by the Board of Directors; and other functions and powers to be exercised by the President, as prescribed in laws, administrative regulations, ministerial rules and the Articles of Association or determined by the Shareholders' General Meeting or the Board of Directors.

Division of Responsibilities between the Chairman and the President

Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association, the roles of Chairman and President of the Bank are separated with clear division of responsibilities. The Chairman of the Bank is responsible for major matters related to overall strategic development. The President of the Bank is responsible for the operation and management of the Bank. The President of the Bank shall be appointed by, and is accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

Due to change of job, Mr. Zhang Jinliang resigned as Chairman and legal representative of the Bank on April 25, 2022. Elected by more than half of the Directors, Mr. Liu Jianjun, Executive Director and President of the Bank, started to perform the duties on behalf of the Chairman and legal representative of the Bank immediately after the resignation of Mr. Zhang Jinliang (hereinafter referred to as the "Transitional Arrangement"). Although the Transitional Arrangement deviated slightly from code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, the Board of Directors believed that the Transitional Arrangement was an appropriate arrangement prior to the completion of the nomination and election of the Chairman candidates, as it would ensure the operation of the Board of Directors and the day-to-day operation of the Bank were not affected, and the balance of power and authority between the Board of Directors and the management of the Bank was not weakened, for the following reasons: (1) the nomination and election of candidates for the Chairman of the Board of Directors would take some time and go through statutory procedures; (2) Mr. Liu Jianjun has rich experience in the financial industry and an in-depth understanding of the Bank's operation, management, culture, etc.; (3) the resolutions of the Board of Directors must be approved by at least half of the Directors, and that five members of the Board of Directors are Independent Non-executive Directors who are able to effectively perform their duties, both which shall ensure a balance of power in the Board of Directors; (4) the Bank's major decisions on strategic, business, operational and financial matters are made collectively by the Board of Directors and the management upon discussion. Mr. Liu Jianjun's performance of duties on behalf of Chairman is only a transitional arrangement. The Bank is proceeding with the nomination and election of relevant candidates in accordance with code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors, and Supervisors on terms no less stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirmed that they complied with such code of conduct during the reporting period.

Appraisal and Incentive Mechanisms for Senior Management

The Bank has established clear standards in relation to the remuneration policies of senior management members, and continued to improve the performance appraisal system as well as incentive and constraint mechanism for them. The Bank determines performance-based annual remunerations of senior management members according to the performance assessment results, and has established the policy for deferred payment of performance-based annual remunerations.

Statement on Independence from the Controlling Shareholder

The Bank has independent and complete business and independent operation capability, and there is no situation in terms of assets, personnel, finance, organization and business that the Bank cannot guarantee its independence from its controlling shareholder or maintain independent operation capability. The controlling shareholder and its related parties have not occupied or controlled any assets of the Bank. The Bank has independent and sound financial, accounting and personnel management policies, and the controlling shareholder and its related parties do not intervene in the financial, accounting and personnel activities of the Bank. The controlling shareholder and its related parties do not intervene in the specific operations of the Bank, nor do they affect the independence of the Bank's operation and management. In addition, China Post Group, the Bank's controlling shareholder, has entered into a non-competition undertaking, committing that China Post Group and other entities it controls will not engage in the same or similar businesses as those of the Bank.

Auditors' Engagement and Remuneration

As approved by the 2021 Annual General Meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the Bank for 2022, responsible for providing audit and related services for the financial statements of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and IFRSs in 2022, respectively. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers ceased to be the auditors of the Bank after the expiration of a maximum of eight-year term after re-appointment in 2020. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have provided audit services to the Bank for two years.

In 2022, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for the audit of financial statements provided to the Bank amounted to RMB29.80 million (including RMB1.80 million for internal control audit). In 2022, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and its member institutions for the audit of financial statements provided to the subsidiaries of the Bank and for other services provided to the Bank amounted to RMB1.48 million and RMB5.55 million, respectively.

Sponsors' and Underwriters' Engagement and Remuneration

The Bank engaged China International Capital Corporation Limited and China Post Securities Co., Ltd. as joint sponsors of the non-public issuance of A shares of the Bank in 2023, and engaged China International Capital Corporation Limited, China Post Securities Co., Ltd., CSC Financial Co., Ltd. and CITIC Securities Co., Ltd. as joint lead underwriters of the non-public issuance of A shares of the Bank in 2023. On March 28, 2023, the Bank completed the non-public issuance of 6,777,108,433 A shares of RMB ordinary shares, and the underwriting fee was RMB4.50 million (value added tax included).

Significant Changes to the Articles of Association during the Reporting Period

During the reporting period, there were no material changes in the Articles of Association of the Bank.

Self-examination of Special Actions on the Governance of Listed Companies

The Bank earnestly conducted a self-examination by following relevant requirements of the CSRC, and found no material differences between the actual practice of corporate governance and the requirements of laws, administrative regulations and CSRC normative documents on the corporate governance of listed companies. There were no major issues that needed to be disclosed to investors that might affect the Bank's operation and management.

Internal Control and Internal Audit

Internal Control

The Bank has established an internal control governance and organizational structure with reasonable division of labor, clear responsibilities and clear reporting relationships which consists of the Board of Directors, the Board of Supervisors, senior management, departments of internal control management, internal audit departments, and business departments. Considering the purpose of monitoring the above internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only reasonably, not absolutely, assure that the above system and internal control can prevent any material misstatement or loss.

The Bank continuously refined the internal control system, concluded the campaign to improve the quality and efficiency of internal control and compliance, advanced the rigid control of recurring issues, and strengthened the stationing of risk managers in institutions at the primary level to enhance the effectiveness of internal control in such institutions. It made continuous effort to prevent illegal fund-raising and crack down on gang crimes, enhanced publicity and risk alerts, provided risk prevention knowledge interpretation and communications through various channels such as its WeChat official account and business premises, and won the first place in the banking industry in the "Preventing Fraud and Ensuring Compliance" knowledge contest on financial fraud prevention organized by China Banking and Insurance News. In order to improve the system of accountability policies for violations, the Bank optimized the procedures, rules and standards for handling such violations to ensure that whoever crosses the line will be punished. As part of the continuous system-building effort, an off-site monitoring and analysis system was developed with a clear management mechanism, adequate system functions and effective models. The Bank gradually terminated the delegation of relevant authority and realized the centralized processing of risk information monitoring and verification. Moreover, it carried out data analysis of high-risk information, promoted the digitalized and intensive operation of internal control, and greatly improved the quality and efficiency of information monitoring and verification.

In accordance with the requirements of the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Commercial Banks, the Notice on Further Enhancing the Effectiveness of Internal Control for Financing Reporting of Listed Companies and other internal control regulatory requirements, and considering the Bank's basic rules for internal control and assessment methods, the Bank assessed the effectiveness of internal control as at December 31, 2022 (the base date of the internal control assessment report). Based on the Bank's identification criteria for deficiencies in internal control over financial reporting and deficiencies in internal control unrelated to financial reporting, as at the base date of the internal control assessment report, the Bank maintained effective internal control over financial reporting in all material aspects pursuant to the system of standards for enterprise internal control and relevant regulations with no significant internal control deficiencies over financial reporting or unrelated to financial reporting. The Board of Directors of the Bank reviewed and approved the 2022 Annual Internal Control Assessment Report of Postal Savings Bank of China Co., Ltd. Please visit the websites of SSE, Hong Kong Stock Exchange and the Bank for details of the report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP audited the effectiveness of the internal control over financial reporting of the Bank as at December 31, 2022 in accordance with relevant regulations, and issued an unqualified Internal Control Audit Report. For details, please visit the websites of SSE, Hong Kong Stock Exchange and the Bank.

Internal Audit

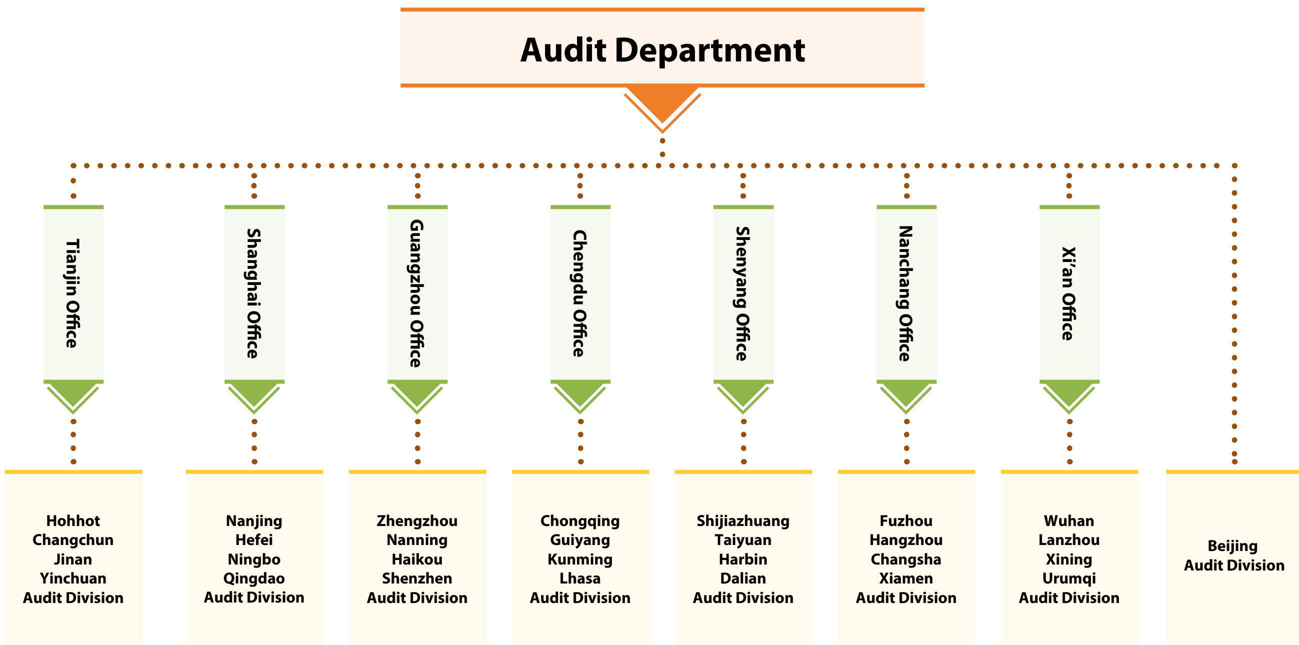
The Bank implements an internal audit system. During the reporting period, the Bank upgraded the independent and vertical audit management structure, incorporated the original audit departments of tier-1 branches into the Head Office's vertical management system, established a three-tier audit structure consisting of the Audit Department at the Head Office, regional audit offices and audit divisions, and further improved the internal audit reporting system and reporting lines consistent with such structure. The Audit Department at the Head Office is responsible to the Board of Directors and the Audit Committee thereunder, regularly reports to the Board of Directors, the Audit Committee thereunder and the Board of Supervisors, and notifies the senior management.

The Audit Department at the Head Office is responsible for the overall audit work and the coordination of audit resources of the Bank, as well as the organization and conduct of Bank-wide audit activities in accordance with the Guidelines for the Internal Audit of Commercial Banks and the audit charter of the Bank. The Audit Department at the Head Office has seven regional audit offices thereunder and directly manages Beijing Audit Division. The 7 regional audit offices manage 28 audit divisions by jurisdiction. The audit offices shall implement the annual audit plan of the Head Office, allocate audit projects and audit resources under jurisdiction, carry out the audits of tier-1 branches and their subordinate institutions under jurisdiction, and conduct routine audit projects such as audits for local branches managers when leaving office and audits upon local regulatory requirements. The audit divisions shall execute the audit tasks assigned and be responsible for routine audits such as audits for local branches managers when leaving office and audits upon local regulatory requirements.

Corporate Governance

During the reporting period, the internal audit concentrated on aspects such as perfecting corporate governance, improving operation management, enhancing risk management and promoting internal control and compliance, adhered to a problem-oriented and risk-based approach and focused on the key businesses, major risks and prominent areas. It conducted audit supervision and provided audit opinions on major areas such as implementation of major policies, serving real economy, application of information technology, protection of consumer rights, anti-money laundering, business operation and financial management, risk management and internal control, continued to follow up and urge the implementation of rectification of audit findings, and continuously improved the quality and effectiveness of audits.

During the reporting period, the Bank gave full play to its independent vertical audit system, strengthened the formulation of audit policies and quality control, moved faster to develop a professional audit team, accelerated the digital transformation of audit, and enhanced the utilization of audit results, thus providing solid support to the Bank's steady operation and high-quality development.



Information Disclosure

The Bank strictly abided by laws and regulations, and the local regulatory requirements of the places where its shares are listed, and disclosed information in a true, accurate, complete, timely and fair manner. Adhering to the principle of providing clear, concise and easy-to-understand information, the Bank improved top-level design, innovated working mechanism, enriched representation form, and advanced the standardized voluntary disclosure. With no corrections to major accounting errors and no material omission during the reporting period, the Bank was rated A (Excellent) by the SSE in its evaluation on information disclosure work of listed companies of the year. The Bank expanded the scope and depth of voluntary information disclosure so as to protect the rights and interests of investors, and improved the transparency of corporate information. Centering on the concerns of the market and investors, the Bank proactively released its strategic plans, corporate culture, business features and other highlights. Moreover, the Bank continued improving the information disclosure management system. In line with the latest regulatory requirements, it reviewed information disclosure policies, revised internal reporting management measures for important events and management measures for insider information and insiders of the Bank, improved the internal control measures for insider information, and released the publishing procedures for insider information. Furthermore, the Bank updated the information disclosure management system, standardized the process of information transmission, raised the efficiency of report preparation coordination, and enhanced the online management of insider information and insiders, so as to implement the information confidentiality management and registration requirements.

The Bank continuously innovated the disclosure forms of annual reports and won awards and recognition from various organizations. For the 2021 Annual Report, PSBC won the ARC Awards: Cover Photo/Design (Silver Winner), the LACP Vision Awards Annual Report Competition: Gold Award (Commercial Banks), and the Galaxy Awards: Design–Cover: Annual Reports – Special Treatment, etc.

Investor Relations

The Bank has always adhered to the principles of initiative and sincerity, transparency and compliance, accuracy and effectiveness, and equality and comprehensiveness, and leveraged investor communication activities such as results presentations, road shows, surveys, summits and forums, and communication platforms such as the investors hotline, mailbox, and SSE E-interaction to maintain regular communication with the capital market, demonstrate the Bank's operating results and fully convey the Bank's investment value.

During the reporting period, under the guidance of the Board of Directors and the senior management, the Bank held four results presentations (annual, interim and quarterly) through on-site meetings, conference calls and other means with the attendance of the senior management members. Among them, the 2021 annual and 2022 interim results presentations were held in the form of "online video livestreaming + phone access + live text broadcast", conveying the Bank's development strategy and long-term investment value to capital markets. The 2021 annual results presentation was awarded "Best Practice of 2021 Annual Results Presentations by Listed Companies" by the China Association for Public Companies.

After the release of the 2021 annual results and 2022 interim results, the senior management members of the Bank led several teams to carry out roadshows, conducted in-depth communication with investors and analysts on business development, transformation and innovation, strategic vision and other situations of the Bank with a sincere and open attitude, and actively responded to the concerns of the capital market. Over the year, the Bank held 1 results presentation and themed investor relation event, received visits of 82 surveys, organized 23 roadshows, and attended 24 investment forums and summits, at which it communicated with domestic and overseas investors and analysts by over 2,000 person-times.

Certificate of ARC Awards

Certificate of LACP Vision Awards Annual Report Competition

Certificate of Galaxy Awards

Corporate Governance

In the selection for "the 12th China Securities Golden Bauhinia Award (2022)", the Bank received the "Best Listed Company Award" and the "Listed Company with Best Investment Value Award". In the selection for "the Panorama Investor Relations Gold Medal (2021)", the Bank received the "Best Institutional Communication Award" and the "Outstanding Investor Relations Team Award".

In accordance with relevant regulatory requirements, the Bank has kept a record of the above investor reception and communication activities, and properly kept relevant documents.

For investors having questions with the operating results of the Bank, please contact:

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Shareholder Communication Policy

The Bank has formulated a shareholder communication policy, which shall be reviewed periodically to ensure that the opinions and concerns of shareholders are effectively addressed. According to the shareholder communication policy, the Bank conveys information to the shareholders and investors through various channels: the Bank publishes annual reports, interim reports and quarterly reports on a regular basis, and holds the results announcements to timely announce its operating results to shareholders and investors; the Bank holds annual general meetings and other extraordinary general meetings that may be convened, discloses the meeting materials in advance, timely answers the enquiries of shareholders and reviews the procedures of general meetings from time to time, in a bid to fully protect the shareholders' rights to attend meetings; the Bank updates the materials in the investor relations column regularly, and publishes all the disclosure information issued on the websites of the SSE and the Stock Exchange as well as other promotional materials of the Bank on its website, so that shareholders and investors may obtain the latest information about the Bank in a timely manner; the Bank actively holds various investor relations activities to maintain communication with shareholders and meet the reasonable needs of shareholders in a timely manner. The contact information of the Bank is shown on the Bank's website for any query from shareholders.

During the reporting period, the Bank reviewed the shareholder communication policy and amended the Shareholder Communication Policy of Postal Savings Bank of China, which was reviewed and approved at the 7th meeting of the Board of Directors in 2022. The Bank considers that the shareholder communication policy is effectively implemented and ensures the long-term and effective communication with shareholders.

2022 Interim Results Announcement attended by President Liu Jianjun, Vice Presidents Zhang Xuewen, Yao Hong and Du Chunye and Chief Risk Officer Liang Shidong

Report of the Board of Directors

Principal Business and Business Review

The Bank and its subsidiaries are mainly engaged in provision of banking and related financial services. The Bank's business operations, information on Directors and Supervisors, and business review as required by Schedule 5 of the Hong Kong Companies Ordinance are set out in relevant sections including "Message from the Management", "Discussion and Analysis", "Corporate Governance", "Significant Events", "Financial Statements", this "Report of the Board of Directors", etc.

Profit and Dividend Distribution

For the Bank's profit and financial position during the reporting period, please refer to "Financial Highlights" and "Discussion and Analysis – Analysis of Financial Statements".

With the approval at the 2021 Annual General Meeting held on June 28, 2022, the Bank, based on the total share capital of 92,383,967,605 ordinary shares, distributed cash dividends of RMB2.474 (before tax) per ten ordinary shares, totaling approximately RMB22,856 million (before tax), to all the ordinary shareholders whose names appeared on the share register on the record date. The record date for distribution of dividends for A share and H share was July 11, 2022. The dividends for A share in 2021 were distributed on July 12, 2022, and the dividends for H share in 2021 were distributed on August 10, 2022. The Bank did not declare or distribute interim dividends of 2022, nor did it convert any capital reserve to share capital.

In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, statutory surplus reserve of RMB8,373 million and general reserve of RMB19.475 billion were appropriated for 2022. On the basis of 99,161,076,038 ordinary shares (including the non-public issuance of shares in 2023) of the total share capital of the Bank, totaling approximately RMB25,574 million (before tax) of cash dividends were distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.579 (before tax) per ten ordinary shares. Cash dividends are denominated and declared in Renminbi, and paid to holders of A shares in Renminbi and to holders of H shares in Hong Kong dollars converted at the RMB central parity rate announced by the PBOC on the day of the Bank's 2022 Annual General Meeting. The remaining undistributed profits are carried forward to the next year. The Bank did not convert its capital reserve to share capital in 2022. The above dividends will be paid to shareholders of A shares and H shares listed on the Bank's register of shareholders after the market closes on July 12, 2023 (Wednesday). The Bank will suspend the registration procedures of H share ownership transfer from July 7, 2023 (Friday) (inclusive) till July 12, 2023 (Wednesday) (inclusive). The H-share holders of the Bank who wish to receive the proposed cash dividends must lodge their share certificates together with the share transfer documents with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on July 6, 2023 (Thursday). In accordance with the relevant regulatory requirements and business rules, dividends for A shares are expected to be paid on July 13, 2023, and those for H shares on August 10, 2023.

The aforesaid annual dividend distribution plan for 2022 is still subject to the review and approval of the 2022 Annual General Meeting of the Bank. The Bank will make further announcements on details of the distribution plan, distribution date, taxes and tax relief related to the dividends.

The Bank had no plan for converting capital reserve to share capital in the last three years. The cash dividends of ordinary shares for the last three years are as follows:

Items	2022	2021	2020
Distributed dividends per ten shares (before tax, in RMB)	2.579	2.474	2.085
Cash dividends (before tax, in millions of RMB)	25,574	22,856	19,262
Net profit attributable to equity holders of the Bank in the consolidated statements (in millions of RMB)	85,224	76,170	64,199
Percentage of cash dividends[1] (%)	30	30	30

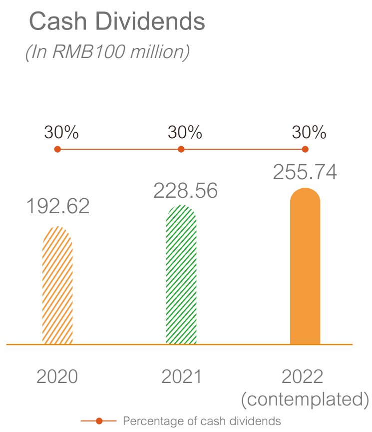
Note (1): Calculated by dividing cash dividends on ordinary shares (before tax) by net profit attributable to equity holders of the Bank for the period.

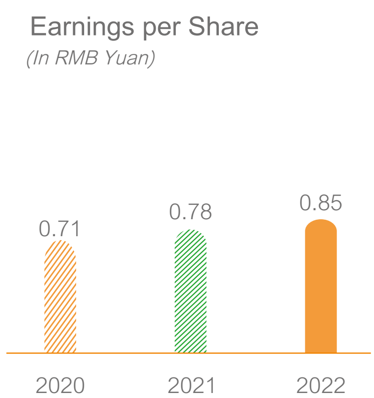
Implementation of Cash Dividend Policy

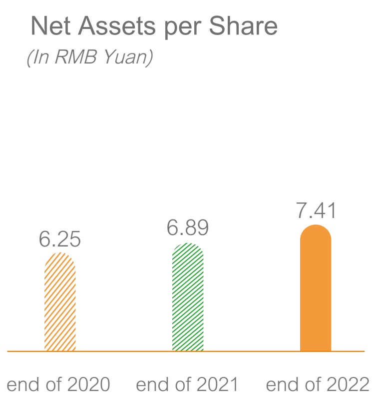
The Bank attaches importance to ensuring reasonable returns to investors as well as maintaining the continuity and stability of profit distribution policies. It takes into account the overall interests of all shareholders as well as the long-term interests and sustainable development of the Bank. The Bank may distribute dividends in cash or in shares, and priority shall be given to cash dividend distribution. In principle, the Bank distributes its profits once a year.

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Bank's Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The decision-making procedures and mechanisms are complete, and the dividend distribution standards and proportions are clear and explicit. Independent Non-executive Directors have diligently fulfilled their obligations, played their due roles, and expressed their opinions. Minority shareholders have the opportunity to fully express their opinions and demands, and their legitimate rights and interests are fully protected.

For details on the distribution of dividends on offshore preference shares, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Offshore Preference Shares".







Reserves

For details of changes in reserves of the Bank during the reporting period, please refer to "Consolidated Statement of Changes in Equity".

Financial Summary

For the summary of operating results, assets and liabilities for the five years ended December 31, 2022, please refer to "Financial Highlights".

Donations

During the reporting period, the Bank donated RMB13.9335 million (domestically).

Fixed Assets

For details of changes in fixed assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 24 Property and equipment".

Subsidiaries

For details of the Bank's majority-owned subsidiaries during the reporting period, please refer to "Discussion and Analysis – Majority-Owned Subsidiaries" and "Notes to the Consolidated Financial Statements – 22 Investment in subsidiaries".

Share Capital and Public Float

As at the end of the reporting period, the Bank had 92,383,967,605 ordinary shares in total (including 72,527,800,605 A shares and 19,856,167,000 H shares) as its share capital. The Bank completed the non-public issuance of A shares in March 2023. As at the disclosure date of this report, the Bank had 99,161,076,038 ordinary shares in total (including 79,304,909,038 A shares and 19,856,167,000 H shares). As at the disclosure date of this report, based on publicly available information, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules.

Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time, and may enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The laws, regulations and stipulations cited below are all relevant provisions issued before December 31, 2022.

A-Share Holders

In accordance with the Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued jointly by the MOF, the State Taxation Administration and the CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses are temporarily exempted from individual income tax. The above-mentioned income is subject to a uniform individual income tax rate of 20%. The dividends and bonuses obtained by equity investment funds from listed companies are also subject to individual income tax in accordance with the aforementioned rules.

In accordance with Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China mean those investment proceeds obtained by resident enterprises directly investing in other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign enterprises in Hong Kong can enjoy relevant tax benefits pursuant to provisions in the tax conventions signed between China and the country where they reside or the tax arrangements between the Chinese mainland and Hong Kong (Macao). Accordingly, the Bank generally withholds 10% of the dividends to be distributed to individual H-share holders as individual income tax unless otherwise specified by relevant tax laws, regulations and agreements.

In accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Taxation Administration of PRC, the Bank will withhold and pay enterprise income tax at a rate of 10% when distributing annual dividends to H-share holders who are overseas non-resident enterprises from the year of 2008.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, there is no tax payable in Hong Kong on dividends paid by the Bank on H shares.

The taxation relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be implemented in accordance with the requirements of the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) and the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) by the MOF, the State Taxation Administration, and the CSRC.

Purchase, Sale or Redemption of Shares

For details of the Bank's redemption of offshore preference shares, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Offshore Preference Shares". Save as disclosed above, during the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any of its listed shares.

Pre-emptive Rights

There are no mandatory provisions in relation to pre-emptive rights in the Articles of Association of the Bank. According to the Articles of Association, the Bank may increase its registered capital by public or non-public issuance of shares, distribution of new shares to existing shareholders, placement of new shares to existing shareholders, conversion of capital reserve to share capital and other methods as permitted by laws, regulations and relevant authorities.

Equity-linked Agreement

The Bank issued offshore preference shares through non-public offering in overseas markets with an aggregate amount of USD7.25 billion on September 27, 2017.

In accordance with the Capital Rules for Commercial Banks (Trial) and the Administrative Measures on Pilot Program of Preference Shares, commercial banks shall formulate clauses governing the mandatory conversion of preference shares into ordinary shares, namely, upon the occurrence of a trigger event, commercial banks shall convert the preference shares into ordinary shares as stipulated in the contract. Trigger events include the following situations: the Bank's core tier 1 capital adequacy ratio drops to 5.125% or below; the CBIRC concludes that without a conversion or write-off, the Bank would become non-viable, and the relevant authorities conclude that without a public sector injection of capital or equivalent support, the Bank would become non-viable. In accordance with relevant regulations, the Bank has set a trigger event clause for the compulsory conversion of preference shares into ordinary shares. The Bank redeemed all of its USD7.25 billion offshore preference shares on September 27, 2022. During the reporting period, the Bank did not have any trigger event that required the compulsory conversion of the Bank's preference shares into ordinary shares.

As at the end of the reporting period, the Bank did not enter into or renew any equity-linked agreements.

Major Customers

During the reporting period, the aggregate interest income and other operating income of the Bank's top five customers accounted for no more than 30% of the Bank's interest income and other operating income for the year.

Material Relationship with Employees and Suppliers

Due to the nature of its business, the Bank did not have major suppliers.

For details of the Bank's relationship with its employees, please refer to the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China published on the websites of the SSE, the Hong Kong Stock Exchange and the Bank.

Use of Raised Funds

The funds raised by the Bank have been used in accordance with the purposes disclosed in the offering prospectuses, which is to consolidate the Bank's capital base to support the continued growth of the Bank's business.

For the plan of the use of proceeds disclosed in the public disclosure documents such as prospectuses and offering prospectuses previously issued by the Bank, the implementation progress is in line with the planning as described after verification and analysis.

Directors' and Supervisors' Interests in Contracts of Significance

For details on the list of Directors and Supervisors, biographies and their changes, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". During the reporting period, none of the Directors or Supervisors of the Bank or entities associated with such Directors or Supervisors had any direct or indirect material interests in any significant transaction, arrangement or contract entered into by the Bank or any of its subsidiaries in relation to the Bank's business. None of the Directors or Supervisors of the Bank entered into any service contract with the Bank or any of its subsidiaries that is subject to indemnification (other than statutory damages) upon termination by the Bank within one year.

Directors' and Supervisors' Interests in Competing Businesses

None of the Directors and Supervisors held any interest in any business that directly or indirectly competes or may compete with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the reporting period, the Bank did not grant any rights to subscribe for shares or debentures to any of its Directors or Supervisors, nor did any of such rights be exercised; nor did the Bank or its subsidiaries enter into any agreement or arrangement which would enable Directors and Supervisors to profit from the purchase of shares or debentures of the Bank or other companies.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at the end of the reporting period, none of the Directors or Supervisors of the Bank held any interests or short positions (including interests and short positions in which they are deemed to have under such provisions of the SFO) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For details of the interests and short positions of the Bank's substantial shareholders and other persons, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Connected Transactions

During the reporting period, the Bank complied with laws, regulations and regulatory requirements, and strengthened the management of connected transactions. It refined the management mechanism, improved approval and filing processes, organized training, continued to cultivate a culture of compliance and further improved the management of connected transactions. The Bank's connected transactions were conducted in accordance with laws and regulations, which is in the overall interests of the Bank and minority shareholders.

For details on the connected transactions of the Bank and important contracts entered into between the Bank and its controlling shareholder or its subsidiaries, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions".

For details of connected transactions defined under domestic and foreign laws, regulations and accounting standards, please refer to "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

Remuneration of Directors, Supervisors and Senior Management Members

The remuneration plan of senior management members of the Bank shall be reviewed and approved by the Board of Directors. The remuneration plan of Directors of the Bank shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Directors. The remuneration plan of Supervisors shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Supervisors. The annual remuneration of Directors, Supervisors and senior management members shall be determined according to their annual assessment results. For details of the remuneration, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". The Bank did not formulate any share incentive plan for the Bank's Directors, Supervisors and senior management members.

Permitted Indemnity Provision

According to the Articles of Association, unless the Directors, Supervisors or senior management members are proved to have failed in performing their duties and responsibilities honestly or in good faith, the Bank shall bear the civil liability incurred by the Directors, Supervisors and senior management members during their terms of office to the greatest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations. The Bank has purchased liability insurance for Directors, Supervisors and senior management members for the potential liabilities that may arise from their discharge of duties.

Financial, Business and Family Relationship among Directors, Supervisors and Senior Management Members

Save as disclosed in this report, the Bank is not aware of any other financial, business, kinship or other material relationship between the Directors, Supervisors and senior management members of the Bank.

Management Contracts

During the reporting period, the Bank did not enter into or maintain any management or administrative contracts relating to the Bank's overall or important business.

Auditors

The financial statements of 2022 prepared by the Bank in accordance with the PRC GAAP and IFRSs have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu according to the Auditing Standards of China and International Standards on Auditing respectively, and both of them issued unqualified audit opinions.

Compliance with Important Laws, Regulations and Rules

During the reporting period, the Bank complied with laws and regulations of the place where it operates in all material respects. The Bank, its Directors, Supervisors and senior management members were not subject to investigations, public criticisms from the CSRC or public denunciations from the stock exchanges, nor were they subject to penalties from other regulators for environmental or other issues which had a significant impact on the Bank's operations.

Board of Directors of Postal Savings
Bank of China Co., Ltd.
March 30, 2023

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank, in strict accordance with laws, regulations, regulatory requirements and the Articles of Association, earnestly implemented the decisions and plans of the CPC Central Committee, strictly followed regulatory requirements, earnestly performed its supervisory responsibilities around the Bank's priorities, continuously improved the quality and efficiency of supervision, and earnestly safeguarded the legitimate rights and interests of the Bank and its shareholders, employees, creditors and other stakeholders, hence providing strong support for the Bank's high-quality development. All Supervisors performed their duties faithfully and diligently, discussed on matters and made decisions in compliance with laws and regulations, expressed comments and suggestions independently, professionally and objectively, and intensively participated in supervision, inspection and surveys. Their time of duty performance for the Bank complied with regulatory requirements.

Supervision on Strategies

The Board of Supervisors fully implemented the decisions and plans of the CPC Central Committee, continuously performed its supervisory responsibilities around the Bank's priorities, such as the implementation of inclusive financial policies, supporting rural revitalization, improving the quality and efficiency of serving the real economy and building a green bank, tracked the progress in pursuing the strategic goals such as the three-year action plan for SOE reform, and drove the Bank's active integration into the overall economic and social development. Through the special supervision of the digital transformation of Sannong finance, it facilitated the rural revitalization with FinTech empowerment. Research was carried out on PSBC's support for the "carbon peaking and carbon neutrality goals", in a bid to accelerate the building of a green inclusive bank, climate-friendly bank and eco-friendly bank. The Board of Supervisors closely tracked the Bank's implementation of the 14th Five-Year Plan, the development of advanced approaches for capital management, data security management and the progress in the asset and liability allocation plan, in a bid to facilitate the Bank's high-quality development.

Supervision on Duty Performance

In accordance with new regulatory requirements on corporate governance, such as the Standards for Corporate Governance of Banking and Insurance Institutions, the Board of Supervisors closely monitored the performance of duties and responsibilities by the Board of Directors, the senior management and their members, and increased the Bank's corporate governance capacity. It systematically revised and refined the annual performance evaluation plan, improved the evaluation indicators and procedures, developed the online evaluation and scoring system, adopted a comprehensive evaluation approach that combines subjective and objective weights, collected opinions and suggestions from all parties, and successfully completed the first performance evaluation of directors, supervisors and senior management members after the issuance of the new regulatory rules for corporate governance. The Board of Supervisors connected its performance evaluation with the self-evaluation of other governance bodies in terms of procedure and result application, analyzed the results of the performance evaluation, gathered feedbacks to the evaluation results and suggestions and promoted the application thereof. Based on the Bank's actual operations, the Board of Supervisors closely tracked the implementation of regulatory requirements on corporate governance, with a focus on the quality and efficiency of governance bodies, and provided timely advisory comments to ensure that each governance body duly performed respective responsibilities. It expanded the scope of supervision to cover the corporate governance of the Bank's subsidiaries, and provided forward-looking supervision guidance and risk alerts.

Report of the Board of Supervisors

Supervision on Risk Management

The Board of Supervisors adopted a problem-oriented approach, focused on major problems and potential risks in business development, assisted the Bank in improving its comprehensive risk management framework, and worked actively to prevent and mitigate systematic financial risks and uphold the national financial security. It regularly debriefed work reports on the Bank's capital management, comprehensive risk management and disposal of non-performing assets, reviewed quarterly reports on the Bank's risks, internal control and financial supervision, and specified the responsibilities of each governing body. It kept a close watch over key areas, regions and industries, conducted the supervision of real estate loans, the data quality and valuation management of real estate collateral, expressway loans and the internal rating system for non-retail credit risks, and carried out forward-looking risk monitoring to effectively prevent "gray rhinos" and "black swans". Efforts were made to strengthen the supervision of consolidated management and improve the Group's overall risk management capability. It respected "red lines" and considered worst-case scenarios, closely monitored the changes in capital adequacy ratio, leverage ratio and other risk indicators, and made sure that the Bank would not cross regulatory red lines.

Supervision on Finance

In order to ensure the quality and efficiency of the Bank's business management, transformation and development, the Board of Supervisors worked to expand the scope and depth of financial supervision, and enhanced the efficiency of the Bank's financial management. It supervised key financial matters, reviewed major proposals such as periodic reports, financial final accounts, profit distribution plans and non-public offerings, and provided independent supervisory opinions. It also strengthened supervision on financial efficiency, closely monitored key financial indicators such as cost-income ratio and return on economic capital, with a priority on value creation and economic benefits. It promoted supervision on the quality of development, paid attention to new growth areas of income from intermediary business, closely monitored the operation and development of key businesses, so as to facilitate business transformation and upgrading and pursue high-quality development. It made efforts to deepen refined management, paid special attention to the utilization of self-service machines and the management of marketing fees of credit cards, so as to precisely intensify the Bank's cost control system. It also maintained communication with external auditors and provided advisory guidance to enhance the effectiveness of audit work.

Supervision on Internal Control

In terms of continuously deepening the internal control, the Board of Supervisors focused on establishing an effective internal control system and cultivating a corporate culture of prudence and compliance. It made solid efforts to carry out supervision on internal control. It reviewed important proposals regarding the internal control evaluation report, internal control compliance management report etc., and worked to improve the Bank's internal control and compliance management capacity and level. It strengthened the supervision of key areas of internal control, closely followed up key regulatory concerns, promoted the improvement of the money laundering risk management mechanism, supervised the protection of consumer rights and interests, and improved the Bank's capability to protect personal information. In order to strengthen the Bank's capacity in internal control and compliance, the Board of Supervisors carried out special supervision over the management of civil litigations and the dispatch of risk managers, thus ensuring effective internal control at community-level institutions and laying a solid foundation for steady business development. Based on the Bank's conditions, close attention was paid to the internal control and compliance management of the agent bank outlets to facilitate coordinated development of the Bank and China Post Group.

Self-building

The Board of Supervisors continued to improve the operating mechanism, made explorations to innovate the methods of supervision, and greatly strengthened its own capacity building. The re-election of employee supervisors and the election of members of special committees under the Board of Supervisors were carried out in an orderly manner. The special committees under the Board of Supervisors operated effectively, with a wider range of topics and a broader scope of supervision. The Board of Supervisors adopted a flexible approach combining on-site and remote training, thus greatly expanding the training channels for supervisors. To promote the transformation and upgrading of the Bank's supervision work, the Board of Supervisors utilized the big data laboratory to carry out off-site risk monitoring, and established 95 risk monitoring models throughout the year. In addition, it made a plan for the supervision of digital transformation by the Board of Supervisors, and explored the development of a system of indicators for supervision. It adopted new approaches to supervise the rectification of problems, held special meetings on the implementation of rectification of opinions from the Board of Supervisors, and set clear goals for the departments responsible for problem rectification.

Work of External Supervisors

During the reporting period, External Supervisors of the Bank acted in strict compliance with the Articles of Association, performed their duties diligently, discussed at meetings in due course, and fully studied and reviewed all proposals. They actively participated in all supervision activities carried out by the Board of Supervisors, earnestly attended meetings of the Board of Supervisors and its special committees, and expressed professional, rigorous and independent opinions and recommendations, playing an active role in improving the corporate governance and the management of the Bank. Time spent by each External Supervisor on supervision for the Bank complied with the regulatory requirements.

Independent Opinions Issued by the Board of Supervisors

Operation According to Law

During the reporting period, the Board of Directors and the senior management of the Bank continued to operate in compliance with applicable laws and regulations and improved internal control policies, with the decision-making procedures complying with laws, regulations and the Articles of Association. The Directors and senior management members performed their duties conscientiously. The Board of Supervisors did not find they had any violation of laws and regulations or any act that harmed the interests of the Bank in their performance of duties.

Annual Report

The preparation and review procedures of this annual report of the Bank were in compliance with laws, regulations and regulatory provisions, and contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Raised Funds

During the reporting period, the use of raised funds by the Bank was in line with the purposes as disclosed in the prospectuses.

Acquisition and Sale of Assets

During the reporting period, there was no insider dealing or any other act that impaired the shareholders' interests or resulted in losses of the Bank's assets in the process of the Bank's acquisition or sale of assets.

Connected Transactions

During the reporting period, the Bank's connected transactions were conducted based on commercial principles. The Board of Supervisors did not find any activity that impaired the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association.

Report of the Board of Supervisors

Implementation of Resolutions Passed at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meeting.

Internal Control

During the reporting period, the Board of Supervisors reviewed the Bank's annual internal control assessment report and had no objection to the report.

Implementation of Information Disclosure Management Rules

During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory requirements, implemented the information disclosure management rules earnestly, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was true, accurate and complete.

Corporate Social Responsibilities

During the reporting period, the Bank earnestly performed its social responsibilities. The Board of Supervisors reviewed the Bank's 2022 Corporate Social Responsibility (Environmental, Social, and Governance) Report and had no objection to the report.

Performance Evaluation of Directors, Supervisors, and Senior Management Members

All the Directors, Supervisors, and senior management members who participated in the 2022 performance assessment were evaluated as competent.

Save as disclosed above, the Board of Supervisors had no objection to other supervision issues during the reporting period.

Board of Supervisors of Postal Savings
Bank of China Co., Ltd.
March 30, 2023

Environmental and Social Responsibilities

Green Finance

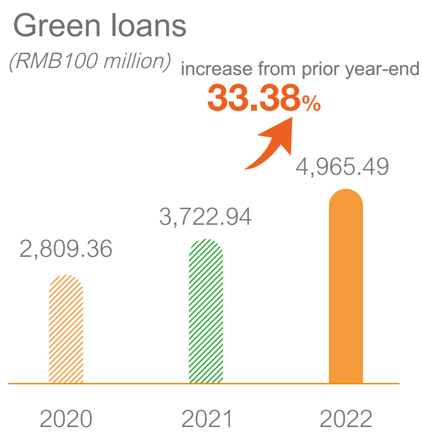
The Bank earnestly implemented Xi Jinping Thought on Eco-Civilization and the guiding principles of the 20th National Congress of the CPC, practiced the philosophy that "lucid waters and lush mountains are invaluable assets", strictly followed national policies and regulatory requirements, and supported the UN's Sustainable Development Goals (SDGs) for 2030 and the Paris Agreement. From the aspects of top-level design, policy system, resource allocation, product innovation, risk management, technology empowerment and green operation, it vigorously developed sustainable finance, green finance and climate financing, actively explored transition finance and just transition, supported biodiversity protection, and contributed to the realization of carbon peaking and carbon neutrality goals. As at the end of the reporting period, the Bank's balance of green loans amounted to RMB496,549 million, up 33.38% over prior year-end; the balance of green bond investments amounted to RMB29,950 million, up 29.58% over prior year-end; the value of green bond underwriting amounted to RMB11.770 billion. The Bank was rated as an "Advanced Organization in Green Bank Evaluation" again by China Banking Association, and awarded "A" in MSCI's ESG ratings for two years in a row. It was granted the "Best ESG" Award for Asian banking and non-banking industry by the Institutional Investor magazine in its "2022 Best Management Team in Asia" appraisal, and honored the best ESG practice case among A-share listed companies in 2022 by China Association for Public Companies, a "model case of carbon peaking and carbon neutrality action in 2022" by China Business Executives Academy in Dalian under the State-Owned Assets Supervision and Administration Commission of the State Council, excellent case of EY Sustainability Excellence Awards 2022, Sustainability Benefit Award by Caijing magazine, and the "Top 10 Green Finance Innovation Award" by The Chinese Banker.

The balance of green loans amounted to RMB496,549 million, up 33.38% over prior year-end.

The Bank was rated as an "Advanced Organization in Green Bank Evaluation" by China Banking Association.

The Bank was awarded "A" in MSCI's ESG ratings for two years in a row.

The Bank joined the UN Sustainable Blue Economy Finance Initiative.



Strengthening green governance and improving top-level design. The Bank advanced green banking at the strategic level, with the Board of Directors assuming the primary responsibility for green finance and regularly listening to reports about green banking and ESG management, and established and promoted the green development philosophy that advocates low carbon, environmental protection and sustainable development. The Bank pressed ahead with the cultivation of a clean financial culture, and signed the Agreement on Co-Building of Clean Partnership with suppliers and other third-party partners. It developed the Action Plan of PSBC on Fulfilling Carbon Peaking and Carbon Neutrality Goals, in which it clearly specified the timetable and roadmap for carbon peaking and carbon neutrality, and proposed 10 key actions and 40 concrete measures. The Bank promoted organizational innovation, and set up the green finance steering groups for carbon peaking and carbon neutrality at Head Office and branches to make overall plans and systematically advance the work related to carbon peaking and carbon neutrality. It set up 23 green finance institutions, including carbon neutrality sub-branches, green sub-branches, and green finance departments, etc., in a bid to explore experience in green finance innovation and development. The Bank supported sustainable ocean economy and biodiversity protection, and officially joined the UN Sustainable Blue Economy Finance Initiative as the first among major state-owned commercial banks in China.

Optimizing policies and rules and improving the management mechanism. The Bank continued to optimize the credit extension policy to include and put emphasis on biodiversity protection and climate change, channeled more financial resources to biodiversity-related areas and nature-based solutions. The Bank developed separate guidelines on the credit extension policy for green finance and climate financing, according to which industries such as hydropower, wind power, photovoltaic power generation, waste-to-energy generation, energy conservation and environmental protection, new energy vehicles, railways, and rail transit were categorized as industries encouraged to finance. It offered vigorous support for the green transition of high-carbon enterprises in industries like coal power, coal, iron and steel, and nonferrous metals to meet their reasonable financing needs, and resolutely implemented the one-vote veto system for environmental evaluation. The Bank issued documents such as the Essential Points for Green Finance Work (Achieving Peak Carbon Emissions and Carbon Neutrality) in 2022, the Work Plan for Providing Green and Inclusive Financial Services to Small Enterprises, and the Green Financial Development for the Business Line of Sannong Finance, specified the goals and key tasks of the year to promote the integrated development of inclusive finance and green finance.

Optimizing resource allocation and improving incentive mechanism. From aspects including performance assessment, scale of credit extension, internal funds transfer pricing (FTP), economic capital, etc., the Bank channeled more resources to key areas of green finance such as low-carbon transport, renewable energy, clean energy, green buildings, and energy conservation and environmental protection. It improved the mechanism for performance assessment, implemented a differentiated policy for measuring economic capital of green finance, applied a preferential FTP policy for green credit and green bonds, and provided preferential interest rates for projects with significant carbon emission reduction.

Accelerating product innovation and supporting green development. The Bank launched several sustainability-linked financing businesses. It cooperated with Deutsche Börse Group and other financial institutions to jointly launch the "STOXX PSBC China A ESG Index" on the Deutsche Börse. The Bank took the lead in adopting the general green collateral pool developed by China Central Depository & Clearing Co., Ltd., and successfully launched the first interbank deposit business pledged by green bond. It unveiled the first blue bond business in the industry, with funds raised used for offshore wind farm projects, launched personal carbon accounts for various scenarios such as green finance, green life, green village and green public welfare, and promoted green and low carbon cards. The Bank also provided carbon accounting services for corporate customers, and, as at the end of the reporting period, completed carbon accounting for 2,182 enterprises.

Applying FinTech and intensifying risk management. Upholding the philosophy that "prudence and compliance are the path to stability and risk control is the road to sustainability", the Bank issued environmental, social and governance (ESG) risk management measures, and included governance requirements into its management process and comprehensive risk management system. It carried out climate risk sensitivity stress tests for eight sectors, namely electric power, iron and steel, building materials, petrochemicals, chemicals, papermaking, civil aviation and non-ferrous metal smelting. The test results show that under stress scenarios, the credit risk associated with some high-carbon customers climbed, but the impact on the Bank's capital adequacy was under control overall. The Bank carried out ESG and climate risk investigation for six consecutive years, tailored policies for customers with potential risk, and adopted risk alleviation measures in time. Based on the "Jinjing" (Gold Eye) credit risk monitoring system, the Bank pressed ahead with the PBOC's pilot project for the comprehensive application of financial data, titled "Big Data Technology-Based Green Credit Service", took the lead in accessing Blue Map and other environmental data, and improved the environment information database to ease information asymmetry in green finance-related trading activities. The Bank rolled out new functions like automatic identification of green labels and calculation of energy conservation and emission reduction data, to meet the needs for managing the digital development of green finance.

Enhancing capacity building and improving green performance. The Bank enriched its green finance training system, and organized bank-wide training on credit policies, green credit statistics, ESG and climate risks, etc. It actively participated in seminars and exchange activities organized by the Ministry of Ecology and Environment, PBOC, CBIRC, the Green Finance Committee of China Society for Finance and Banking, the Climate Investment and Finance Association of Chinese Society for Environmental Sciences, and research institutes and universities, published the Research on Climate Financing by Commercial Banks, and completed the Study on the Pathway of Low-Carbon Transformation of Commercial Banks under the Goal of Carbon Neutrality. The Bank initiated carbon accounting for its own operation, which covered all of its self-operated institutions, and thus cemented the foundation for green and low-carbon development. In 2022, the Bank emitted 607,300 tons of carbon dioxide equivalent in its own operation. The Bank promoted energy conservation, emission reduction and green and low-carbon transition, and the Head Office signed letters of commitment on ecological and environmental protection with 36 tier-1 branches and majority-owned subsidiaries as part of its efforts to fulfill its political and social responsibilities as a major state-owned bank.

Green world better life

Column Innovating Sustainability-Linked Financial Products

To meet the financing needs of traditional industries in their transition towards sustainable development, PSBC launched sustainability-linked financial products, including sustainability-linked loans, sustainability-linked bonds, sustainability-linked debt financing plans and sustainability-linked factoring products. It incentivized borrowers to meet the preset sustainability performance targets (SPT) through loan or bond terms and urged enterprises to step up energy conservation and emission reduction efforts. As at the end of the reporting period, the balance of the Bank's sustainability-linked finance businesses reached RMB7.8 billion.

For example, as an exclusive lead bank and sustainability coordinator on syndicated loan transactions, PSBC was the first to issue sustainability-linked syndicated loans in the market, linking loan interest rates with preset sustainability performance targets of enterprises, including the amounts invested in clean energy projects, installed capacity and carbon dioxide emission reductions, so as to meet the financing needs of enterprises, encourage them to accelerate investments in clean energy projects, and enhance development momentum for green development. According to the green evaluation report for the project, as at the end of 2024, the green projects financed by the loans are expected to reduce carbon dioxide emissions by as much as 23 million tons. The Bank successfully underwrote China's first debt financing plan that combines linkages of sustainability and secured energy supply on Beijing Financial Assets Exchange. Such plan links the coupon rate of the third interest-bearing year to the completion of sustainability targets preset by the borrower – the additional number of intelligent and mechanized mining faces, which is closely related to the borrower's overall development strategy. With such settings, the debt financing plan is designed to advance energy transition and green development of the borrower.

Green world better life

Column

Launching the First E-CNY Bill Discount Product "Green G Discount"

To further enrich PSBC's financial product matrix serving green development and support the intelligent bill services for green and low-carbon enterprises, the Bank launched its first e-CNY bill discount product "Green G Discount".

In line with the sustainability philosophy, PSBC built upon the existing "PSBC e Discount" product and launched "Green G Discount", an online discount product for customers in green industries that generates "Green G Points" for green financing behaviors and thus reduces cost of discount. Through "Green G Discount", the Bank aims to tailor new application scenarios, such as loan disbursement in e-CNY and green rights, for green enterprises.

The product has three features. First, it targets special customer groups, provides an exclusive service platform for green and low-carbon enterprises, and helps them embark on a road of innovation with both ecological and economic benefits. Second, it creates innovative e-CNY application scenarios, simplifies financing and settlement processes, enhances payment and settlement efficiency, and enables the traceability of discounted funds. Third, it allows redemption of "Green G Points", and, by building a "Green G Points" algorithm model, distributes "Green G Points" to enterprises, which helps enterprises save costs and see carbon emission reduction achievements for each green transaction in a straightforward manner. As a discounting product for customers in green industries, "Green G Discount" further enriches the Bank's featured derivative product chain for key customer groups and expands the Bank's smart bill product matrix.

Environmental Policies and Green Operation

During the reporting period, the Bank coordinated efforts across the Bank, and issued documents including the Circular on Organizing the Education on Practicing Frugality and Opposing Waste, Forwarding the Circular of the General Office of the Party Group of China Post Group Corporation Limited on Carrying out Activities to Promote Green Office, and Initiative of PSBC on "Green Office and Low-Carbon Life", to advocate frugality, further spread the philosophy about green office, and create an atmosphere for green and low-carbon development in all aspects. The Bank actively assumed its social responsibility for green development, with the Head Office passing the energy conservation assessment by Xicheng District Government, Beijing for years in a row and was rated "Excellent" in the assessment organized in 2022 on the performance in meeting the targets and fulfilling the responsibilities for energy saving.

In March 2022, the Bank passed the green development assessment organized by Beijing Green Development Office, and became one of the first institutions participating in the campaign for green development in Beijing. The Bank worked to forge the brand of green sub-branches, and launched the building of demonstration outlets of green sub-branches. In 2022, the Bank saw 25 sub-branches with sound green credit environment, complete hardware facilities and solid management foundation become "demonstration outlets of green sub-branches 2022". Stepping forward, the Bank will take further steps forward to strive to build itself into a first-tier green and inclusive bank, climate-friendly bank and ecology-friendly bank, in a bid to proactively and steadily facilitate the realization of carbon peak and carbon neutrality goals.

Consumer Protection

The Bank attached great importance to the protection of consumers' rights and interests and strictly abided by regulatory requirements. It embraced the philosophy of consumer protection in all aspects of corporate governance and incorporated it into the fostering of corporate culture, business development strategy and comprehensive risk management system. The Board of Directors, Board of Supervisors and senior management further stepped up the guidance and supervision over consumer protection, and advanced various work in a deep-going manner. During the reporting period, the Bank continued to improve the system and mechanism for consumer protection, established and refined the whole-process management mechanism for consumer protection, developed the list of duties under the "three lines of defense" for consumer protection, and gave full play to the "three lines of defense", to form a joint force and improve the effectiveness of consumer protection.

The Bank actively advanced consumer protection review, and, following the "prevention-first" working principle, evaluated and reviewed the policies, systems, business rules, fees and prices, agreement provisions and publicity materials that may affect consumers' rights and interests. It organized activities for the exchange of experience in consumer protection review at tier-1 branches and for the selection of excellent written opinions, and continued to update the manual on the key points of consumer protection review, to improve consumer protection review capability across the Bank.

The Bank kept strengthening complaint management, smoothened various types of complaint channels, stepped up complaint monitoring and analysis, optimized the functions of the financial consumer complaint management system, carried out rectification of consumer complaints forwarded by regulators, facilitated the settlement of financial disputes in diverse ways, and improved the quality and effectiveness of complaint handling.

Leveraging non-contact and digital publicity means, PSBC Jilin Branch collaborated with Himalaya and developed "Audio Consumer Protection" postcards. Based on the demand of key groups, including elderly people, youngsters, farmers and migrant workers, for financial knowledge, it designed 12 "Audio Consumer Protection" postcards respectively about deposit insurance, staying away from "campus loans", and eight rights of financial consumers, as a new way of online publicity.

The Bank steadfastly carried out education and publicity on financial knowledge. Leveraging its advantages of having extensive outlets and being close to communities and the general people, the Bank launched education and publicity on financial knowledge both online and offline, enriching forms and contents of publicity and carrying out featured publicity activities. With the focus on the demand of elderly people, farmers, students on campus, disabled people and migrant workers for financial knowledge, it helped consumers increase financial skills and risk awareness and enhance risk prevention abilities.

The Bank further intensified the management of key aspects of consumer protection to cement the foundation for consumer protection. It carried out special screening of personal information protection risk, and eliminated potential risk from perspectives of institution, agreement, system and behavior. The Bank organized internal assessment on consumer protection and improved assessment indicators to maximize the role of assessment as both an incentive and restraint. It carried out special training on consumer protection to further improve the awareness of and competence in consumer protection at institutions of all levels.

Social Responsibilities

For details about the Bank's efforts to consolidate the outcomes of poverty alleviation, serve rural revitalization and financially support micro and small enterprises, please refer to "Discussion and Analysis – Business Overview". For details about the Bank's efforts to fulfill its CSR, please refer to the 2022 Social Responsibility (ESG) Report of Postal Savings Bank of China published on the websites of SSE, HKEX and PSBC.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Connected Transactions with China Post Group

As at the end of the reporting period, China Post Group directly held approximately 67.39% of the total issued equity shares of the Bank, and was the Bank's controlling shareholder. According to the provisions on connected transactions of the CBIRC, the CSRC, the SSE and the Hong Kong Stock Exchange, China Post Group and its associates are the Bank's related parties, and the following transactions constitute connected transactions of the Bank under various regulatory rules. During the reporting period, the Bank fully complied with relevant provisions for connected transactions under various regulatory rules, and entered into the following transactions with China Post Group and its associates in the ordinary course of business on normal or better business terms. Except for the connected transactions between the Bank and China Post Group and its associates disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

Agency Banking Businesses

On September 7, 2016, the Bank and China Post Group entered into the Agency Banking Businesses Framework Agreement in relation to the Bank's entrustment of China Post Group (the "Agency Banking Businesses Framework Agreement") to conduct certain commercial banking businesses through agency outlets in accordance with requirements as stipulated in the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of the Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49). The Agency Banking Businesses Framework Agreement came into effect from September 7, 2016 with an indefinite term provided that the regulatory requirements are met in places where the Bank's shares are listed or relevant requirements are exempted.

In accordance with the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of the Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49), both the Bank and China Post Group are required to follow the exclusive and indefinite operation model consisting of both directly-operated outlets and agency outlets, and neither the Bank nor China Post Group is entitled to terminate the agency arrangement. In the event that national policies are adjusted in the future which allow the termination of the agency arrangement between the Bank and China Post Group, following friendly negotiations between the Bank and China Post Group, where the Bank terminates the Agency Banking Businesses Framework Agreement, all Independent Directors of the Bank shall issue written opinions. Resolutions shall be made by the Board of Directors, and the Bank shall follow the filing and approval procedures (if required) in accordance with relevant laws and regulations.

When the Bank got listed in the H-share market in 2016 and in the A-share market in 2019, due to the particularity of the agency banking businesses, it was not feasible to project the annual caps. According to relevant provisions of the Hong Kong Listing Rules, requirements to keep the term of the agreement within three years and to project annual caps were exempted. Meanwhile, pursuant to relevant provisions in the SSE Listing Rules, review and disclosure as connected transactions were exempted.

Agency Deposit-Taking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides the Bank with agency Renminbi personal deposit-taking business and agency foreign currency personal deposit-taking business.

Agency Renminbi Deposit-Taking Business

The Bank calculates the deposit agency fees for the agency Renminbi deposit-taking business payable to China Post Group according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e., different fee rates are applied to deposits with different maturities (the "Scaled Fee Rates"), and the actual weighted average deposit agency fee rate (the "Composite Rate") is calculated based on the Scaled Fee Rates and the daily average balance of agency deposits. The Composite Rate is capped at 1.50%.

The formula for calculating the deposit agency fees of the Bank is:

Monthly deposit agency fees at an outlet = Σ (aggregate amount of deposits for each type of deposits at the outlet for the month × the corresponding scaled fee rate/365) – aggregate cash (including that in transit) for the month at the outlet × 1.50%/365

When calculating the actual amount of deposit agency fees payable by the Bank based on the aforesaid formula, the deposit agency fees corresponding to the cash at the relevant outlet, which comprises reserves held by agency outlets and agency deposits in transit, are deducted.

During the reporting period, the aggregate amount of deposit agency fees paid by the Bank for the agency Renminbi deposit-taking business was RMB104,770 million with a Composite Rate of 1.27%, lower than the agreed cap of 1.50%.

The table below sets forth the average daily balances, Scaled Fee Rates and the corresponding deposit agency fees for each type of deposits paid to China Post Group by the Bank for the agency Renminbi deposit-taking business during the reporting period:

In millions of RMB, except for percentages

	For the year ended December 31, 2022			
Type	Average daily balance	Scaled Fee Rates before adjustments (%)	Scaled Fee Rates after adjustments (%)(1)	Deposit agency fees
Demand deposits	2,024,231	2.30	2.33	46,663
Time-demand optional deposits	14,416	1.50	1.50	216
Call deposits	46,824	1.70	1.70	796
3-month time deposits	153,143	1.25	1.25	1,914
6-month time deposits	225,714	1.15	1.15	2,596
1-year time deposits	4,428,043	1.08	1.10	47,978
2-year time deposits	596,398	0.50	0.35	2,828
3-year time deposits	750,399	0.30	0.10	1,997
5-year time deposits	4,456	0.20	0.00	7
Daily balance of cash (including cash in transit)	15,022	1.50	1.50	(225)(2)
Total	8,243,624	1.27		104,770

Note (1): The Scaled Fee Rates have been adjusted since November 1, 2022. For details, please refer to the announcements of the Bank dated September 29, 2022 and November 1, 2022.

Note (2): Pursuant to the Agency Banking Businesses Framework Agreement, 1.50% shall be applied for calculating the deposit agency fee corresponding to cash, which is to be deducted from the total deposit agency fee payable.

The adjustment of deposit agency fees includes active adjustment and passive adjustment. China Post Group and the Bank may proactively adjust the Scaled Fee Rates according to factors such as actual business demands. Meanwhile, according to the agreement of both parties, a passive adjustment mechanism shall be triggered when there is a significant change in the interest rate environment in the future. Since the signing of the Agency Banking Businesses Framework Agreement on September 7, 2016, the Bank and China Post Group have not proactively adjusted the Scaled Fee Rates of deposit agency fees. After the four major state-owned commercial banks, namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and China Construction Bank, announced their operating results for 2021 on March 30, 2022, their average net interest spread was 1.86%, which fell below the lower limit of 1.87% for passive adjustment for the first time, triggering passive adjustment. The Bank held a Board meeting on September 29, 2022 and the First Extraordinary General Meeting in 2022 on November 1, 2022 respectively, which reviewed and approved the Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit-Taking Business by Postal Savings Bank of China and China Post Group, and adjusted the Scaled Fee Rates of deposit agency fees. For details of this passive adjustment, please refer to the announcements of the Bank dated September 29, 2022 and November 1, 2022.

To effectively control the funding cost and maintain a steady growth in the size of deposits, the Bank introduced relevant mechanisms to boost the increase of deposits, including two arrangements, i.e., cost-sharing for increase on deposits interests rates and incentives for deposits. The Bank and China Post Group have agreed that the amount of deposit incentives shall not be higher than the payment by China Post Group under the cost-sharing mechanism for increase on deposits interests rates under any circumstances. During the reporting period, the net settlement amount of the Bank's deposit-boosting mechanisms was minus RMB2,533 million[1].

Agency Foreign Currency Deposit-Taking Business

As the agency fees for foreign currency deposit-taking business are insignificant, they are not calculated according to the formula of "Fixed Rate, Scaled Fees Based on Deposit Type", but according to the market practice:

For short-term foreign currency deposits (with a term of less than 12 months), the Bank calculates the short-term deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with corresponding term on the PRC interbank foreign currency market quoted on Bloomberg. For long-term foreign currency deposits (with a term of 12 months or more), the Bank calculates the deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with corresponding term in the global interest rate swap market quoted on Bloomberg (adjusted by the difference between overnight interest rate on the PRC interbank foreign exchange market and the interbank offered rate of relevant foreign exchange markets generally accepted by the banking industry).

During the reporting period, the amount of deposit agency fees for the Bank's foreign currency deposits was insignificant.

1 Pursuant to the agreement between the Bank and China Post Group, the deposit agency fee and the settlement amount of the deposit-boosting mechanisms were settled on a net basis, and the deposit agency fee and other amounts of Renminbi deposits totaled RMB102,237 million in 2022.

Agency Intermediary Banking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides agency intermediary banking business services to the Bank via agency outlets, which mainly include settlement services, agency financial services and other services. Settlement services primarily include cross-region transactions, interbank transactions, personal remittance, cross-border remittance, SMS business, and other settlement businesses, while agency financial services and other services primarily include bancassurance, agency sales of wealth management products, agency sales of funds, agency sales of government bonds, agency sales of assets management plans, agency collection and payment services, and other services.

Agency intermediary banking business is one of the core services the Bank provides to its customers. Most customers of agency outlets access intermediary banking services in the outlets. Comprehensive services including intermediary banking services available at agency outlets help the Bank attract customers and deposits, enhance their loyalty, promote cross-selling among business lines, and thereby are significant in boosting the Bank's development and expansion. Since the Bank is the principal provider of the agency intermediary banking services and pursuant to the requirement of accounting standards, income from the agency intermediary banking business shall initially be recognized by the Bank, and the fees and commissions shall then be paid to postal enterprises following the principle of "fees payable to the entity providing the services".

During the reporting period, fees payable by the Bank for the agency intermediary banking business were RMB18,185 million, of which fees payable for the settlement services provided by agency outlets were RMB6,885 million, and fees payable for the agency financial services and other services by agency outlets were RMB11,300 million.

Land Use Rights and Property Leasing

Pursuant to the Land Use Rights and Property Leasing Framework Agreement between China Post Group Corporation Limited and Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on October 28, 2021 (the "Land Use Rights and Property Leasing Framework Agreement"), the Bank and China Post Group and its associates leased their properties, ancillary equipment and other assets to each other in the form of operating lease in the ordinary course of business. The Land Use Rights and Property Leasing Framework Agreement came into force on January 1, 2022 and will remain in force until December 31, 2024. On the premise that both parties to the agreement raise no objections and regulatory requirements are met in places where the Bank is listed, the Land Use Rights and Property Leasing Framework Agreement shall be automatically renewed for a further term of three years upon expiry, and shall be renewed once at most. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

During the reporting period, China Post Group and its associates paid a total of RMB74 million of rental to the Bank for certain of the Bank's land use rights, properties and ancillary equipment for business or office purposes. China Post Group agreed to lease certain assets including land use rights, properties and ancillary equipment to the Bank. The rental of the above-mentioned properties and ancillary equipment by the Bank was mainly for its outlets or office purposes. The aggregate amount of the rental payments to China Post Group and its associates for the properties and ancillary equipment leased by the Bank was RMB957 million.

The proportion of the leasing transaction amount provided to related parties by the Bank in the operating income and the proportion of the leasing transaction amount received by the Bank from related parties in operating expenses were relatively small. There was no significant difference between the price of the leases and the market price of similar assets in the same region or adjacent regions.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Comprehensive Services and Other Transactions

Pursuant to the Comprehensive Services Framework Agreement between China Post Group Corporation Limited and Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on October 28, 2021 (the "Comprehensive Services Framework Agreement"), the Bank and China Post Group and its associates provide services or commodities to each other. The Comprehensive Services Framework Agreement came into force on January 1, 2022 and will remain in force until December 31, 2024. If both parties to the agreement raise no objections and regulatory requirements are met in places where the Bank is listed, the Comprehensive Services Framework Agreement shall be automatically renewed for a further term of three years upon expiry, and shall be renewed once at most. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

Rendering comprehensive services and selling business materials to China Post Group and its associates

The comprehensive services provided by the Bank to related parties are mainly labor services and agency business services, among which, labor services include cash escort and vaults, equipment maintenance and other services; agency business services include bancassurance, agency sales of funds and agency sales (distribution) of precious metals. The business materials sold from the Bank to the related parties are mainly printed materials such as brochures used in the ordinary and usual course of business. During the reporting period, the total revenue from the comprehensive services and sales of business materials provided by the Bank to China Post Group and its associates was RMB2,133 million.

The comprehensive services provided by and business materials and other goods sold by the Bank to the related parties are priced after arm's length negotiations between parties with reference to terms and market prices comparable to those provided by the Bank to independent third parties.

Receiving comprehensive services and purchasing products from China Post Group and its associates

The comprehensive services received by the Bank from related parties are mainly labor services and marketing services, among which, labor services include cash escort and vaults, equipment maintenance, advertising, properties, training, mail and other services; marketing services are mainly for deposits and other businesses. The goods purchased by the Bank from related parties are mainly philatelic items and promotional supplies other than philatelic items, and other banking related materials. During the reporting period, the aggregate amount paid by the Bank to China Post Group and its associates for comprehensive services and product procurement was RMB2,567 million.

The goods purchased from or comprehensive services provided by related parties to the Bank are determined after arm's length negotiations between parties with reference to terms and market prices comparable to those purchased by or provided to independent third parties by the related parties.

Trademark Licensing

On September 5, 2016, the Bank entered into the Trademark Licensing Agreement between China Post Group Corporation and Postal Savings Bank of China Co., Ltd. (the "Trademark Licensing Agreement") with China Post Group. The agreement is for a term of 20 years commencing from the date of execution. During the term of the Trademark Licensing Agreement, China Post Group licenses the Bank to use trademarks under the agreement, and the Bank is not required to pay any consideration. On October 28, 2021, the Board of Directors of the Bank re-performed relevant decision-making procedures and disclosure obligations every three years for the Trademark Licensing Agreement with a term of more than three years in accordance with relevant provisions of the SSE. For details of the re-performance of relevant reviewing procedures for the Trademark Licensing Agreement, please refer to the Bank's announcement dated October 28, 2021.

Disclosure and Consideration Requirements for Relevant Connected Transactions

The agency banking businesses are connected transactions as defined in the Hong Kong Listing Rules and are subject to the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement of setting a term of no more than three years under Rule 14A.52 of the Hong Kong Listing Rules; and for agency deposit-taking business and agency intermediary banking business, a waiver from strict compliance with the requirements of setting monetary annual caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

Certain of transactions under land use rights, property leasing and comprehensive services are connected transactions as defined in the Hong Kong Listing Rules and are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirements.

In addition to the above-mentioned continuing connected transactions, the Bank's continuing connected transactions also include the transactions under the Trademark Licensing Agreement, leasing of properties and ancillary equipment by the Bank to China Post Group and/or its associates under the Land Use Rights and Property Leasing Framework Agreement, and the sales of production materials and other goods by the Bank to China Post Group and/or its associates under the Comprehensive Services Framework Agreement. Meanwhile, in the ordinary and usual course of business, the Bank also provided associates with commercial banking services and products, including providing associates with loans and credit facilities, taking deposits from associates and providing associates with other banking services and products. The aforesaid continuing connected transactions are exempted from compliance with the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Implementation of the Caps of Connected Transactions

Pursuant to relevant provisions in the SSE Listing Rules and the Hong Kong Listing Rules, on October 28, 2021, the Bank held the 12th meeting of the Board of Directors in 2021, at which it reviewed and approved the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2022-2024, and published the Announcement of Postal Savings Bank of China Co., Ltd. on Renewing the Connected Transactions Framework Agreement and Proposed Annual Caps of Routine Connected Transactions from 2022 to 2024 and the Announcement of Postal Savings Bank of China Co., Ltd. on Continuing Connected Transactions and Proposed Annual Caps from 2022 to 2024 on the websites of the SSE and Hong Kong Stock Exchange, respectively. Due to business development and other reasons, the Bank held the seventh meeting of the Board of Directors in 2022 on August 22, 2022, at which it reviewed and approved the Proposal on Revising the Annual Caps of the Bancassurance Services Provided by Postal Savings Bank of China to China Post Group and Its Associates from 2022 to 2024, and agreed to revise the annual caps of connected transactions of the bancassurance services provided by the Bank to China Post Group and its associates from 2022 to 2024. As at the end of the reporting period, the actual amounts of routine connected transactions did not exceed the annual caps. Except for the "connected transactions between the Bank and China Post Group and its associates" disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions with China Post Group and its Associates

Credit Type Connected Transactions

In 2022, pursuant to relevant provisions of the SSE, the caps of routine credit type connected transactions between the Bank and China Post Group and its associates shall be RMB14 billion. As at the end of the reporting period, the balance of credit to China Post Group and its associates by the Bank was RMB202 million. Credit type transactions were conducted on normal or better commercial terms, and were fully exempted in accordance with the Hong Kong Listing Rules.

Non-credit Type Connected Transactions

The implementation of the caps of routine non-credit type connected transactions between the Bank and China Post Group and its associates as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2022	Amount of connected transactions as at December 31, 2022
Leasing of certain properties and ancillary equipment by China Post Group and/or its associates to the Bank	14.40	9.57
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its associates	2	0.74
Sale of philatelic items and provision of mailing services by China Post Group and/or its associates to the Bank	4	1.43
Sale of goods other than philatelic items by China Post Group and/or its associates to the Bank	11.50	5.46
Provision of marketing services for deposit-taking and other businesses by China Post Group and/or its associates to the Bank	14.90	8.17
Provision of labor services by China Post Group and/or its associates to the Bank	16	10.61
Provision of bancassurance services by the Bank to China Post Group and/or its associates	23	17.74
Provision of agency sales (distribution) of precious metals business by the Bank to China Post Group and/or its associates	5.50	1.67
Sales of production materials and other goods by the Bank to China Post Group and/or its associates	2.20	0.59
Provision of labor services by the Bank to China Post Group and/or its associates	3.50	1.09

Implementation of the Caps of Connected Transactions with China UnionPay Co., Ltd.

The implementation progress of the caps of routine connected transactions between the Bank and China UnionPay Co., Ltd. as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2022	Amount of connected transactions as at December 31, 2022
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund paid by the Bank	24.80	11.85
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund received by the Bank	62.70	46.28

Connected Transactions and the Implementation of the Management System for Connected Transactions

Confirmation of Connected Transactions

Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Bank have reviewed the above continuing connected transactions in accordance with the Hong Kong Listing Rules and confirmed that the continuing connected transactions under the Hong Kong Listing Rules were entered into:

- in the ordinary and usual course of business of the Bank;
- on normal commercial terms or better; and
- according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Bank's shareholders as a whole.

The Independent Non-executive Directors also confirmed that:

- the methods and procedures established by the Bank were sufficient to ensure that the transactions had been conducted on normal commercial terms and brought no harm to the interests of the Bank and minority shareholders; and
- the Bank had established appropriate management procedures.

Confirmation from Auditor

The Bank has appointed Deloitte Touche Tohmatsu to report continuing connected transactions in accordance with requirements of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has written to the Board of Directors to confirm that nothing has come to its attention that the continuing connected transactions under the Hong Kong Listing Rules:

- had not been approved by the Board of Directors;
- were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- had exceeded the cap (if applicable).

Implementation of the Management System for Connected Transactions

During the reporting period, the Bank revised and issued the Management Measures for the Connected Transactions of Postal Savings Bank of China (2022 Revision) in compliance with the regulatory requirements of the CBIRC, the CSRC, the SSE and the Hong Kong Stock Exchange and the revisions to some regulatory rules, further improved the management system and operating mechanism for connected transactions and enhanced the management of connected transactions. Firstly, after studying relevant regulatory requirements, the Bank established the identification standards for related parties, and prepared and constantly updated the list of related parties of the Bank, which laid the foundation for identifying connected transactions effectively. Secondly, the Bank strictly followed requirements of regulatory institutions, made efforts to establish the organization system and operating mechanism for connected transactions management featured by "scientific management and effective control", continuously improved the corporate governance system and protected the legitimate rights and interests of minority shareholders according to law. Thirdly, the Bank continued the efforts to establish the management system for connected transactions, fully reviewed the connected transactions of the Bank and promoted the IT application to the connected transaction management.

For more information on the operation of the Related Party Transactions Control Committee of the Board of Directors during the reporting period, please refer to "Corporate Governance".

For more information on related parties and transactions with related parties, please refer to "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

Significant Events

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitrations with material impact on the business operation of the Bank.

As at the end of the reporting period, the Bank was the defendant or arbitration respondent in certain pending and material legal proceedings or arbitrations each with a claim amount of over RMB10 million, and the aggregate claim amount was approximately RMB6.27 billion. Accruals in respect of these matters have been fully established, and the Bank considers that these pending cases will not have any material adverse impact on the business, financial position or operating results of the Bank.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal or merger activities.

Significant Contracts and Their Performance

Material Custody, Subcontracting and Leasing

During the reporting period, there was no significant matter in relation to material arrangements for custody, subcontracting and leasing of assets of other companies by the Bank, or material arrangements for custody, subcontracting and leasing of assets of the Bank by other companies.

Material Guarantees

The provision of guarantees is an off-balance sheet service in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any other material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

Specific Explanations and Independent Opinions on the Guarantee Business of the Bank issued by the Independent Non-executive Directors of Postal Savings Bank of China Co., Ltd.

In accordance with relevant regulations of the CSRC and the SSE, the Independent Non-executive Directors of Postal Savings Bank of China Co., Ltd. (hereinafter referred to as the "Bank"), based on the principles of impartiality, fairness and objectivity, hereby express the specific explanations and opinions on the guarantee business of the Bank as follows:

Upon verification, the Bank carried out the guarantee business mainly by issuing guarantees and letters of guarantee, which was one of the routine banking businesses within the scope of the Bank's daily operation approved by the PBOC and the CBIRC. As of December 31, 2022, the outstanding amount of the guarantees and letters of guarantee issued by the Bank was RMB56.229 billion.

The Bank attaches great importance to the risk management of the guarantee business, has strict rules on the creditworthiness standard of guaranteed companies, the operational processes and the approval procedure of the guarantee business, and conducts relevant business accordingly. In our opinion, the Bank's control over the risks of guarantee business is effective, and there is no case of illegal guarantees.

Independent Non-executive Directors of Postal Savings Bank of China Co., Ltd.
Wen Tiejun, Chung Shui Ming Timpson, Hu Xiang, Pan Yingli, Tang Zhihong

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

During the reporting period, no such material matters concerning entrusting other persons for cash management or entrusted loans occurred in the Bank.

Credibility

During the reporting period, there were no cases in which the Bank and its controlling shareholder failed to perform obligations under effective legal judgments of courts in major litigation cases, and there were no cases in which the debts of a relatively large amount were due and unpaid.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no appropriation of the Bank's funds by controlling shareholder and other related parties. The auditor has issued the Special Explanation about Appropriation of Funds by Controlling Shareholder, De Facto Controller and Other Related Parties of Postal Savings Bank of China Co., Ltd.

Fulfillment of Commitments

Commitments during or carried forward to the reporting period by the de facto controller, shareholders, related parties and acquirers of the Bank, the Bank and other relevant parties are as follows:

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfillment	Whether timely and strictly fulfilled
Commitments in relation to initial public offering	Lock up of shares	China Post Group	Commitments in relation to the term of shareholding of shareholders	42 months since the date of listing at A-share market	Yes	Yes
	Others	China Post Group	Commitments in relation to shareholders' intention to hold shares and intention to reduce their holdings	Long-term	Yes	Yes
		China Post Group	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		Directors and senior management of the Bank	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		The Bank	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		Directors and senior management of the Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
		The Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
	Resolving competition amongst peers	China Post Group	Commitment in relation to avoiding competition amongst peers	Long-term	Yes	Yes
	Resolving defective title of lands and other items	China Post Group	Letter of confirmation on matters in relation to land and real estate injected into Postal Savings Bank of China Co., Ltd.	Long-term	Yes	Yes
	Resolving connected transactions	China Post Group	Commitment in relation to decreasing and standardizing connected transactions	Long-term	Yes	Yes
Commitments in relation to non-public issuance of A shares in 2021	Subscription and lock up of shares	China Post Group	Commitment in relation to further clarifying the number of intending subscription to shares of A-share non-public issuance of Postal Savings Bank of China Co., Ltd.	5 years since share acquisition after the non-public issuance of A shares	Yes	Yes

Pledge of Assets

For details relating to the pledge of assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 42.2 Collateral".

Penalties Imposed on the Bank and Its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its controlling shareholder, Directors, Supervisors or senior management members were subject to investigation, criminal punishment or material administrative penalty due to suspected crime, or investigation, administrative penalties or regulatory measures by the CSRC due to suspected violation of laws and regulations, or disciplinary actions by the stock exchange. Neither the controlling shareholder, Directors, Supervisors nor senior management members of the Bank were subject to detention or other compulsory measures by the competent authorities due to suspected violation of laws and regulations, or disciplinary actions and such action affected his/her performance of duties.

Major Connected Transactions

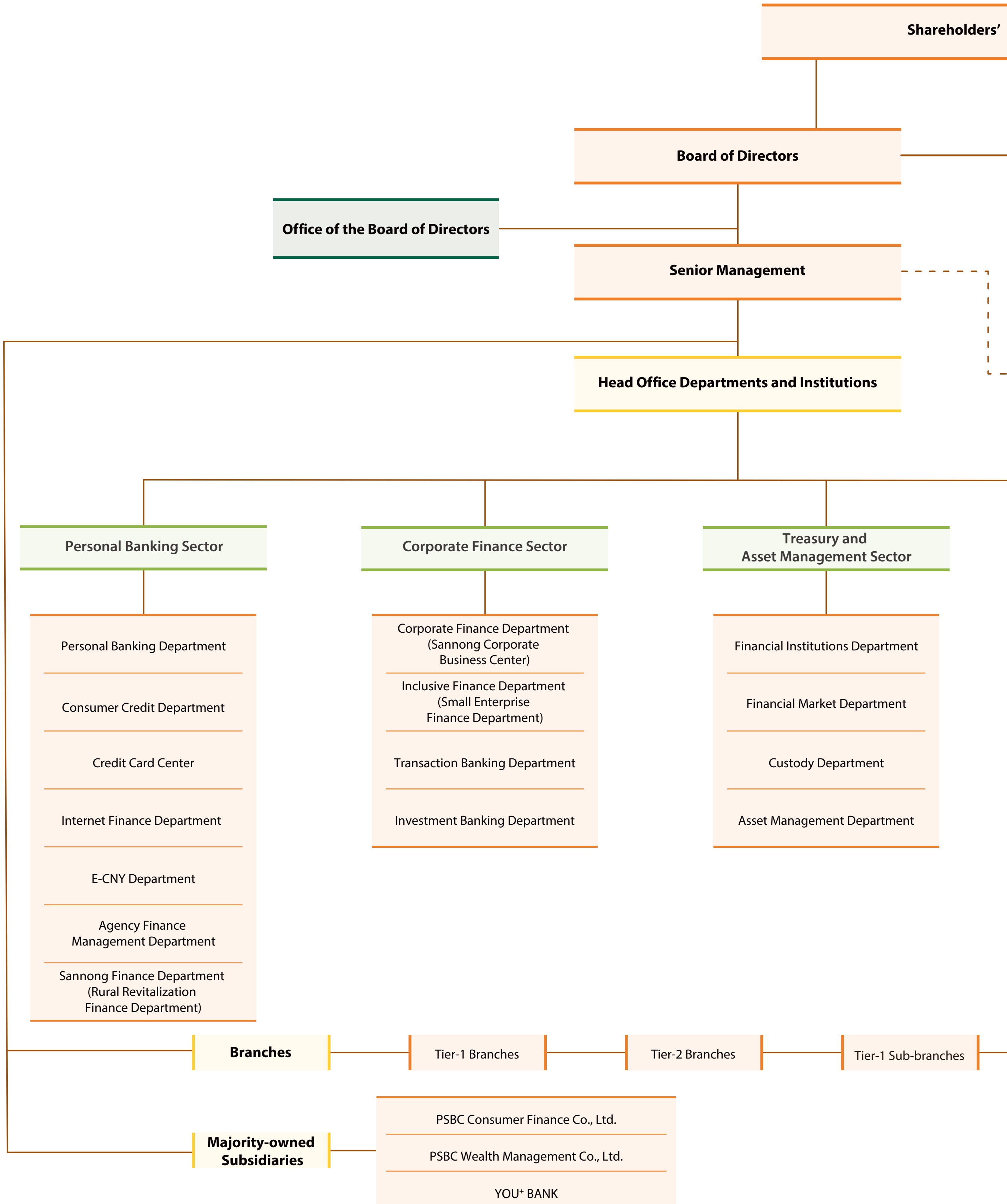
During the reporting period, the Bank had no major connected transaction.

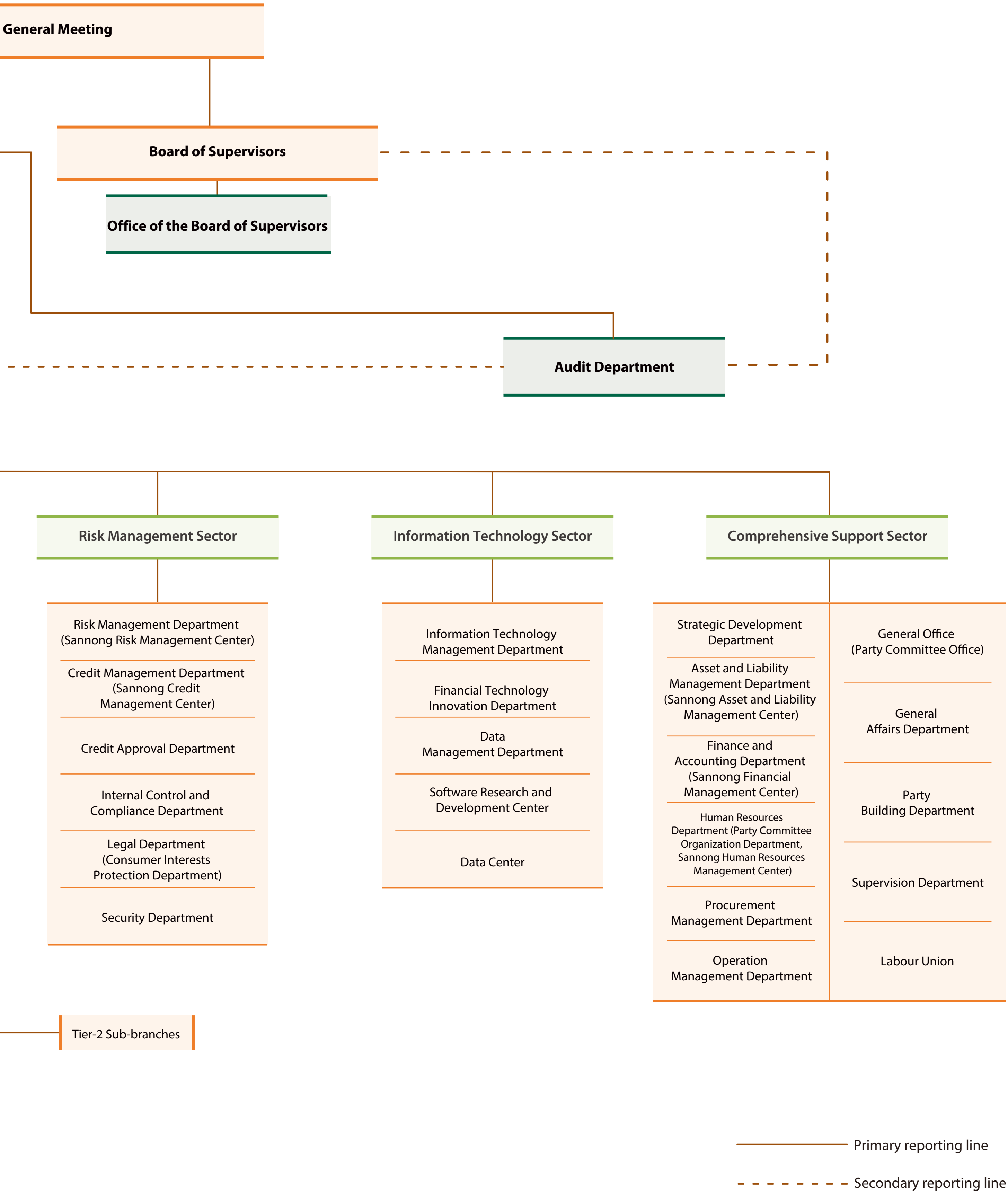
Other Significant Events

The Bank completed the non-public offering of A shares in March 2023, raising proceeds of RMB45 billion, all of which, after deducting relevant issuance cost, were used to replenish the Bank's core tier 1 capital.

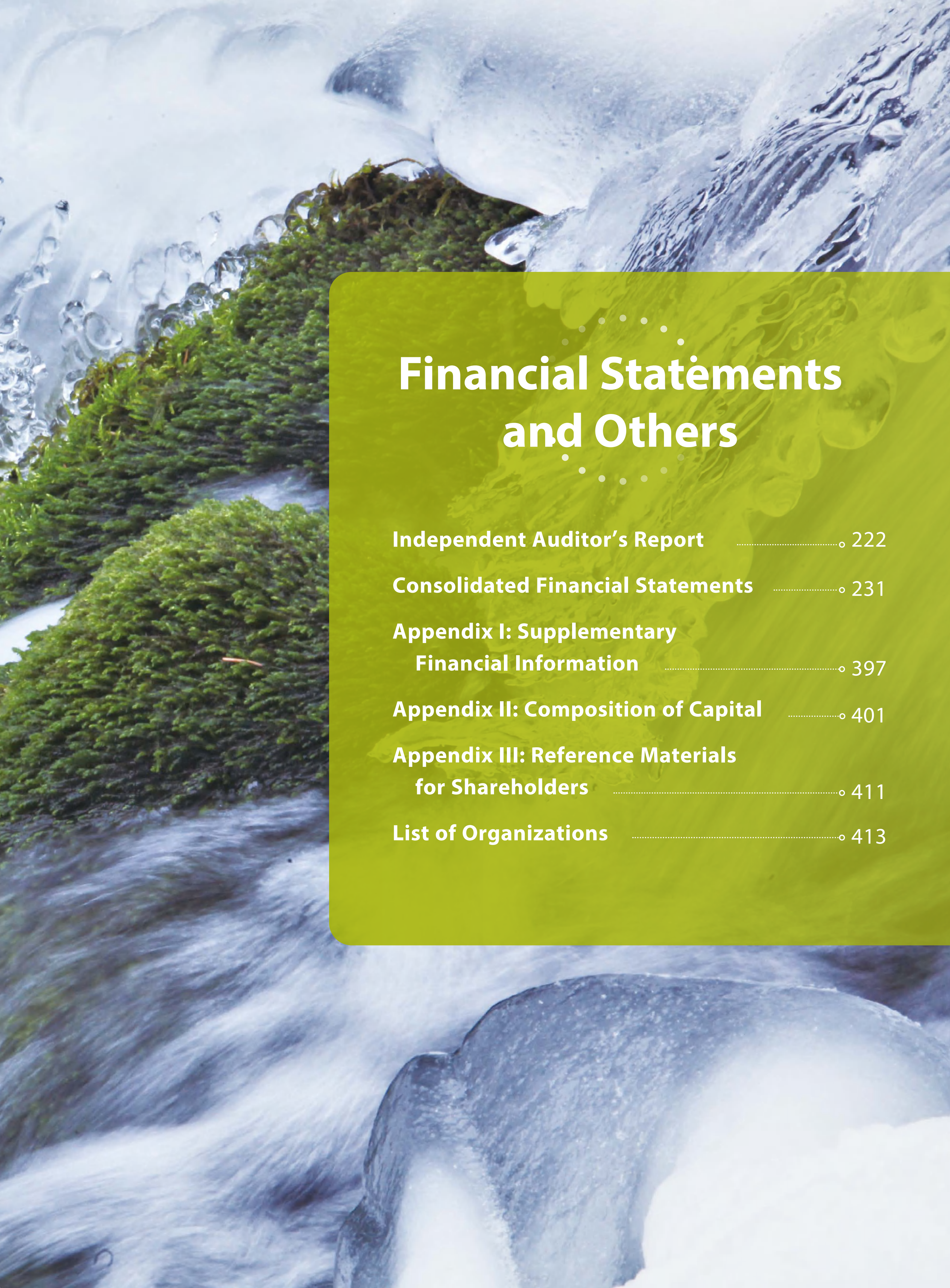
For details of other significant matters disclosed by the Bank pursuant to regulatory requirements during the reporting period, please refer to the announcements published by the Bank.

Organizational Structure




General Meeting
Board of Supervisors
Office of the Board of Supervisors
Audit Department
Risk Management Sector
Information Technology Sector
Comprehensive Support Sector
Risk Management Department (Sannong Risk Management Center)
Credit Management Department (Sannong Credit Management Center)
Credit Approval Department
Internal Control and Compliance Department
Legal Department (Consumer Interests Protection Department)
Security Department
Information Technology Management Department
Financial Technology Innovation Department
Data Management Department
Software Research and Development Center
Data Center
Strategic Development Department
Asset and Liability Management Department (Sannong Asset and Liability Management Center)
Finance and Accounting Department (Sannong Financial Management Center)
Human Resources Department (Party Committee Organization Department, Sannong Human Resources Management Center)
Procurement Management Department
Operation Management Department
General Office (Party Committee Office)
General Affairs Department
Party Building Department
Supervision Department
Labour Union
Tier-2 Sub-branches
Primary reporting line
Secondary reporting line

The “Prelude”, works of Sun Liyan from Party Building Department of the Head Office of PSBC



Financial Statements and Others

Deloitte. 德勤

TO THE SHAREHOLDERS OF POSTAL SAVINGS BANK OF CHINA CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Postal Savings Bank of China Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 231 to 396 which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost We identified the measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost as a key audit matter because the measurement of the Group's expected credit losses ("ECL") adopted complex models, used numerous parameters and data inputs, and involved significant management judgements, estimates and assumptions. In addition, the amount of loans and advances to customers and other debt instruments measured at amortized cost and the associated loss allowance are significant to the Group. As at December 31, 2022, the Group's gross amount of loans and advances to customers measured at amortized cost amounted to RMB6,608.07 billion, with a loss allowance of RMB232.72 billion. The amount of loans and advances to customers measured at fair value through other comprehensive income amounted to RMB602.37 billion, with a loss allowance of RMB1.42 billion. The gross amount of other debt instruments measured at amortized cost amounted to RMB45.14 billion, with a loss allowance of RMB16.80 billion. Please refer to Note 3.2.7(3) "Impairment of financial instruments" under "Significant accounting policies", Note 4.1 "Measurement of the expected credit loss allowance" under "Critical accounting judgements and key sources of estimation uncertainty", Note 20 "Loans and advances to customers", Note 21.4 "Financial assets measured at amortized cost" and Note 27 "Movements of allowance for impairment loss" for details.	We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and other debt instruments measured at amortized cost, mainly including: • Design and operating effectiveness of key internal controls in relation to the ECL models, including the selection, approval and application of modelling methodologies; and the internal controls in relation to the on-going monitoring and optimization of the models; • Design and operating effectiveness of internal controls in relation to significant management judgements, assumptions and estimation involved, including estimation of parameters; assessment of internal credit rating in a timely manner; judgements of significant increase in credit risk or becoming credit-impaired; estimation of future cash flows using discounted cash flow model, review and approval of forward-looking information and management overlay adjustments; • Design and operating effectiveness of internal controls in relation to the accuracy and completeness of key data inputs of ECL measurement.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The balances of loss allowances for loans and advances to customers and other debt instruments measured at amortized cost reflect the management's best estimation of ECL at the end of the reporting period using ECL model designed under "International Financial Reporting Standard 9: Financial Instruments". The Group assesses whether the credit risk of loans and advances to customers and other debt instruments measured at amortized cost has increased significantly since their initial recognition or whether they have become credit-impaired, and applies a three-stage impairment model to measure the ECL. For loans and advances to customers and other debt instruments measured at amortized cost classified into stage 1 and 2, and those portfolios classified into stage 3 which are not considered individually significant, the management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, mainly including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant, the management assesses loss allowance using discounted cash flow model by estimating their future cash flows.	The substantive procedures we performed, mainly included: • We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the model selection, key parameters used, significant judgements, assumptions and estimations involved in relation to the models. We also tested and verified the calculation logic of the models on a sample basis in order to ensure it reflected the management's modelling methodologies. • We tested the accuracy of data inputs for the ECL models on a sample basis, which mainly included: – contractual information in relation to the EAD, such as contract amount, maturity date and interest rate; – supporting documents in relation to evaluate the PD, including borrower's historical financial and non-financial information as well as such information as at the date to evaluate the PD; – supporting documents in relation to estimate the LGD, including background information of borrowers, guarantors and valuation of collaterals. • We also sample tested the numerical calculation of the model to verify its accuracy.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The measurement of ECL involves significant management judgements, assumptions and estimations, mainly including: • Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters; • Criteria for determining significant increase in credit risk or becoming credit-impaired; • Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement; • Management overlay adjustments for significant uncertain factors not covered in the models; • The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.	The substantive procedures we performed, mainly included: (continued) • We selected samples adopting a risk-oriented approach to perform credit review. Based on borrower's financial and non-financial information as well as other available information, we evaluated the appropriateness of management's judgement relating to significant increase of credit risk and credit-impaired loans. • For forward-looking measurements, we reviewed management's selection of economic indexes and their analysis based on multiple macroeconomic scenarios and weightings. We evaluated the reasonableness of parameters and data inputs used in forward-looking adjustment and macroeconomic scenarios by comparing the available prediction from third-party institutions. In addition, we reviewed the sensitivity analysis of economic indexes performed by the management. • For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3, which were considered individually significant, we examined, on a sample basis, the loss allowance calculated by the Group based on forecasted cash flows derived from the financial information of borrowers and guarantors, the latest valuation of collaterals and other available information using discounted cash flow model. • We assessed the reasonableness of the consideration, selection and application of significant uncertain factors in relation to the management overlay adjustments, and tested the accuracy of the relevant calculations.

Key audit matter	How our audit addressed the key audit matter
Agency Banking Transactions with China Post Group Co., Ltd. The Group operates its business through both directly-operated outlets and agency outlets owned by China Post Group Co., Ltd. In accordance with the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets ("Framework Agreement") signed between the Group and China Post Group Co., Ltd., agency outlets can provide deposits taking, financial settlement, financial agency and other services under the name of the Group ("Agency Banking Transactions"), and the Group pays agency fees to China Post Group Co., Ltd. for these services. In 2022, the Group and China Post Group Co., Ltd. have entered into the Supplemental Framework Agreement regarding the adjustment of the scaled fee rates for deposit agency fees. We identified the Agency Banking Transactions with China Post Group Co., Ltd. as a key audit matter because its unique features and the amounts of Agency Banking Transactions with China Post Group Co., Ltd. are significant to the Group. In 2022, deposit agency fee and others amounted to RMB102.25 billion, representing 49.00% of total operating expenses of the Group; fees for agency savings settlement, and fees for agency sales and other commissions amounted to RMB6.89 billion and RMB11.30 billion, respectively, the aggregated amount representing 85.33% of total fee and commission expense. Please refer to Note 40.3.1(1) "Agency banking services from China Post Group" for details.	Our procedures in relation to agency banking transactions with China Post Group Co., Ltd. mainly included: • Understood, evaluated and tested the design and operating effectiveness of the internal controls in relation to the Agency Banking Transactions with China Post Group Co., Ltd.; • Understood, evaluated and tested the information systems and internal controls applied by the Group in capturing data for calculation of agency fees; • Inspected the Framework Agreement, evaluated whether the Agency Banking Transactions and relevant expenditures had been calculated in accordance with specific terms and conditions stipulated by the agreement and appropriately authorized and approved; • On a sample basis, inspected evidence of payments of transactions, recalculated the settlement amounts based on the Framework Agreement, and sent confirmations to China Post Group Co., Ltd. to confirm both the transaction amounts and the balances; and • Evaluated if the Agency Banking Transactions with China Post Group Co., Ltd. were properly disclosed in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Logical access control and change management control of the Bank's information systems related to financial reporting process The Group's business and financial reporting processes heavily rely on the design and operating effectiveness of the Bank's general information system controls. Logical access control is an important component of information system control environment. To make sure that system users have appropriate access rights to the Bank's information systems and also regular monitoring is in place for those access rights, are key controls in mitigating the potential risk for fraud or error as a result of an unauthorized change to an information system or underlying data. The Bank continues to invest in information systems to meet client expectation and business operation needs through transformation and upgrading its information system architecture. In addition to in-house development, the Bank also develops its information systems through cooperation with external suppliers and outsourcing. To ensure the information systems are changed, upgraded and operated in an appropriate manner, the Bank needs to properly design its key controls over information system change and also make sure the operating effectiveness of these controls. Logical access control and change management control constitute the foundation of system configuration, source data, and the automated programmed functionality, which help to support the continuous and consistent operation of system automation controls through the audit period, to support accuracy and completeness of financial reporting process. Therefore, we identified logical access control and change management control of the Bank's information systems related to financial reporting process as a key audit matter.	Our procedures in relation to the logical access control and change management control of the Bank's information systems related to financial reporting process included: • Understood, evaluated, and tested the design and operating effectiveness of internal controls related to logical access to information systems, including system authentication controls, approval of system user account access requests and timely termination of user accounts for those staffs who have resigned or transferred to other departments, privileged user access, periodic review of access rights, and security configurations of information systems. In addition, we tested authorization controls over data modification. • Understood, evaluated and tested the design and operating effectiveness of internal controls related to the change management of the information systems, including management's system change testing process and approval of system change requests, privileged user access control in system change and segregation of duties controls for key information system functions such as development, testing and go-live. For data migration during the process of information system change, we tested the data migration scheme and its data consistency check after approval process as well as the migration. For information system management tools supporting information system change, we tested the logical access control, including user authorization and security configuration.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

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

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 Ley Pui Chun, Rossana.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
March 30, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	2022	2021
Interest income	5	474,240	451,567
Interest expense	5	(200,647)	(182,185)
Net interest income	5	273,593	269,382
Fee and commission income	6	49,745	42,383
Fee and commission expense	6	(21,311)	(20,376)
Net fee and commission income	6	28,434	22,007
Net trading gains	7	3,673	3,286
Net gains on investment securities	8	21,559	23,081
Net gains on derecognition of financial assets measured at amortized cost		920	606
Net other operating gains	9	7,209	745
Share of results of associates		3	–
Operating income		335,391	319,107
Operating expenses	10	(208,680)	(190,995)
Credit impairment losses	12	(35,328)	(46,638)
Impairment losses on other assets		(19)	(20)
Profit before income tax		91,364	81,454
Income tax expenses	13	(6,009)	(4,922)
Net profit		85,355	76,532
Net profit attributable to:			
Equity holders of the Bank		85,224	76,170
Non-controlling interests		131	362

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	2022	2021
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	37.3	3	(13)
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	37.3	(2,359)	4,688
Subtotal		(2,356)	4,675
Item that may be reclassified subsequently to profit or loss			
Net (losses)/gains on investments in financial assets measured at fair value through other comprehensive income	37.3	(4,294)	4,654
Subtotal		(4,294)	4,654
Total comprehensive income for the year		78,705	85,861
Total comprehensive income attributable to:			
Equity holders of the Bank		78,574	85,499
Non-controlling interests		131	362
Basic and diluted earnings per share (in RMB Yuan)	14	0.85	0.78

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	As at December 31, 2022	As at December 31, 2021
Assets			
Cash and deposits with central bank	15	1,263,951	1,189,458
Deposits with banks and other financial institutions	16	161,422	90,782
Placements with banks and other financial institutions	17	303,310	280,093
Derivative financial assets	18	1,905	6,053
Financial assets held under resale agreements	19	229,870	265,229
Loans and advances to customers	20	6,977,710	6,237,199
Financial investments			
Financial assets measured at fair value through profit or loss	21.1	863,783	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	416,172	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	21.3	9,346	11,888
Financial assets measured at amortized cost	21.4	3,669,598	3,280,003
Interests in associates	23	653	–
Property and equipment	24	53,272	54,669
Deferred tax assets	25	63,955	56,319
Other assets	26	52,335	59,451
Total assets		14,067,282	12,587,873
Liabilities			
Borrowings from central bank	28	24,815	17,316
Deposits from banks and other financial institutions	29	78,770	154,809
Placements from banks and other financial institutions	30	42,699	42,565
Derivative financial liabilities	18	2,465	5,176
Financial assets sold under repurchase agreements	31	183,646	34,643
Customer deposits	32	12,714,485	11,354,073
Income tax payable		2,868	4,267
Debt securities issued	33	101,910	81,426
Deferred tax liabilities	25	11	11
Other liabilities	34	89,799	98,038
Total liabilities		13,241,468	11,792,324

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	As at December 31, 2022	As at December 31, 2021
Equity			
Share capital	35.1	92,384	92,384
Other equity instruments			
Preference shares	35.2	–	47,869
Perpetual bonds	35.2	139,986	109,986
Capital reserve	36	124,479	125,486
Other reserves	37	242,180	219,526
Retained earnings		225,196	198,840
Equity attributable to equity holders of the Bank		824,225	794,091
Non-controlling interests		1,589	1,458
Total equity		825,814	795,549
Total equity and liabilities		14,067,282	12,587,873

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

Approved and authorized for issue by the Board of Directors on March 30, 2023.

Liu Jianjun	**Zhang Xuewen**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2022		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549
Net profit for the year		–	–	–	–	–	–	–	85,224	85,224	131	85,355
Other comprehensive income for the year	37.3	–	–	–	–	–	–	(6,650)	–	(6,650)	–	(6,650)
Total comprehensive income for the year		–	–	–	–	–	–	(6,650)	85,224	78,574	131	78,705
Redemption of preference shares	35.2	–	(47,869)	–	(1,004)	–	–	–	–	(48,873)	–	(48,873)
Issuance of perpetual bonds	35.2	–	–	30,000	(3)	–	–	–	–	29,997	–	29,997
Appropriation to surplus reserve	37.1	–	–	–	–	8,373	–	–	(8,373)	–	–	–
Appropriation to general reserve	37.2	–	–	–	–	–	21,417	–	(21,417)	–	–	–
Dividends declared and paid to ordinary shareholders	38	–	–	–	–	–	–	–	(22,856)	(22,856)	–	(22,856)
Dividends declared and paid to preference shareholders	38	–	–	–	–	–	–	–	(2,430)	(2,430)	–	(2,430)
Distribution to perpetual bonds holders	38	–	–	–	–	–	–	–	(4,278)	(4,278)	–	(4,278)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	21.3	–	–	–	–	–	–	(486)	486	–	–	–
As at December 31, 2022		92,384	–	139,986	124,479	58,478	178,784	4,918	225,196	824,225	1,589	825,814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2021		86,979	47,869	79,989	100,906	42,688	130,071	2,725	180,572	671,799	1,131	672,930
Net profit for the year		–	–	–	–	–	–	–	76,170	76,170	362	76,532
Other comprehensive income for the year	37.3	–	–	–	–	–	–	10,678	–	10,678	–	10,678
Total comprehensive income for the year		–	–	–	–	–	–	10,678	76,170	86,848	362	87,210
Issuance of ordinary shares	35.1	5,405	–	–	24,580	–	–	–	–	29,985	–	29,985
Issuance of perpetual bonds	35.2	–	–	29,997	–	–	–	–	–	29,997	–	29,997
Appropriation to surplus reserve	37.1	–	–	–	–	7,417	–	–	(7,417)	–	–	–
Appropriation to general reserve	37.2	–	–	–	–	–	27,296	–	(27,296)	–	–	–
Dividends declared and paid to ordinary shareholders	38	–	–	–	–	–	–	–	(19,262)	(19,262)	(35)	(19,297)
Dividends declared and paid to preference shareholders	38	–	–	–	–	–	–	–	(2,324)	(2,324)	–	(2,324)
Distribution to perpetual bonds holders	38	–	–	–	–	–	–	–	(2,952)	(2,952)	–	(2,952)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	21.3	–	–	–	–	–	–	(1,349)	1,349	–	–	–
As at December 31, 2021		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	91,364	81,454
Adjustments for:		
Amortization of intangible assets and other assets	1,860	1,123
Depreciation of property and equipment, and right-of-use assets	9,553	7,914
Impairment loss on assets	35,347	46,658
– Credit impairment losses	35,328	46,638
– Impairment losses on other assets	19	20
Interest income arising from financial investments	(128,424)	(127,677)
Interest expense arising from debt securities issued	3,486	2,586
Net gains on investment securities	(22,479)	(23,687)
Unrealized exchange (gains)/losses	(4,724)	2,432
Share of results of associates	(3)	–
Net (gains)/losses from disposal of property and equipment and other assets	(1)	32
Subtotal	(14,021)	(9,165)
NET (INCREASE)/DECREASE IN OPERATING ASSETS		
Deposits with central bank	(71,879)	14,015
Deposits with banks and other financial institutions	(70,612)	(48,997)
Placements with banks and other financial institutions	(42,563)	3,161
Financial assets measured at fair value through profit or loss	58,123	(109,877)
Financial assets held under resale agreements	(26,632)	(45,362)
Loans and advances to customers	(776,806)	(748,532)
Other operating assets	5,131	(18,709)
Subtotal	(925,238)	(954,301)
NET INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Borrowings from central bank	7,466	(7,956)
Deposits from banks and other financial institutions	(76,121)	68,891
Placements from banks and other financial institutions	(1,128)	11,644
Financial assets sold under repurchase agreements	148,949	9,501
Customer deposits	1,364,904	982,026
Other operating liabilities	(17,233)	26,260
Subtotal	1,426,837	1,090,366
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX	487,578	126,900
Income tax paid	(12,664)	(17,343)
NET CASH GENERATED FROM OPERATING ACTIVITIES	474,914	109,557
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	357,116	333,008
Interest paid	(207,290)	(165,405)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

	Note	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of financial investments		1,461,261	1,155,566
Cash received from income arising from financial investments		128,688	140,266
Cash received from disposal of property and equipment, intangible assets and other long-term assets		177	150
Cash paid for purchase of financial investments		(2,089,231)	(1,465,046)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets		(12,402)	(13,853)
NET CASH USED IN INVESTING ACTIVITIES		(511,507)	(182,917)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of ordinary shares		–	30,000
Cash received from issuance of perpetual bonds		30,000	30,000
Cash received from issuance of debt securities		40,000	65,480
Cash paid for dividends and interests		(32,563)	(26,533)
Cash paid for issuance of ordinary shares		–	(15)
Cash paid for issuance of perpetual bonds		(3)	(3)
Cash paid for issuance of debt securities		(3)	(4)
Cash paid for repayment of debt securities		(20,000)	(42,650)
Cash paid for redemption of preference shares		(51,273)	–
Cash paid to repay principal and interest of lease liabilities		(3,895)	(4,012)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(37,737)	52,263
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		546	(665)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(73,784)	(21,762)
Balance of cash and cash equivalents at the beginning of the year		313,764	335,526
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	239,980	313,764

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts in millions of RMB unless otherwise stated)

1 General information

Postal Savings Bank of China Co., Ltd. (the "Bank") is a joint-stock commercial bank controlled by China Post Group Co., Ltd. ("China Post Group"). The Bank, originally known as Postal Savings Bank of China Company Limited (the "Company"), was established on March 6, 2007 through restructuring of the postal savings system.

In 2011, with the approval from the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") and China Banking and Insurance Regulatory Commission (the "CBIRC"), the Bank was restructured into a joint-stock bank.

On September 28, 2016 and December 10, 2019, the Bank was listed on The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively. Information regarding the Bank's share issuance is set out in Note 35.

As at December 31, 2022 the Bank had 92,384 million common shares, at a face value of RMB1.00 per share.

The Bank, as approved by the CBIRC, holds a financial institution license of the PRC (No. B0018H111000001) and approved by and obtained its business license with unified social credit code 9111000071093465XC from the Beijing Administration for Market Regulation. The address of the Bank's registered office is No. 3 Jinrong Street, Xicheng District, Beijing, the PRC.

The Bank and its subsidiaries (the "Group") conduct their operating activities in the PRC, and the principal activities include: personal and corporate financial services, treasury operations and other business activities as approved by the CBIRC.

As at December 31, 2022 the Bank had a total of 36 tier-one branches and 324 tier-two branches across the PRC.

The information of the Bank's subsidiaries is set out in Note 22.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiaries.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on March 30, 2023.

(All amounts in millions of RMB unless otherwise stated)

2 Application of amendments to International Financial Reporting Standards ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual improvements to IFRS Standards 2018-2020

In addition, the Group has applied the agenda decisions of the Committee of the International Accounting Standards Board which are relevant to the Group.

The application of the amendments to IFRSs and the Committee's agenda decisions in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after January 1, 2024.

Except for the new and amendments to IFRSs mentioned below, the directors of the Bank anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2 Application of amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.1 Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

2.2.2 Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2 Application of amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.3 Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which were subject to the amendments amounted to RMB10,632 million and RMB9,852 million respectively. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented. The management of the Group believed the application of the amendments will not have material impact on financial position of the Group.

3 Basis of preparation of consolidated financial statements and significant accounting policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Please refer to Note 45.7(2) for description of fair value hierarchy.

3.2 Significant accounting policies

3.2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities, Note 41) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries and all structured entities to bring their accounting policies in line with the Group's accounting policies.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.1 Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities ("SEs") in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

3.2.2 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate of the Group. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Investments in associates (continued)

Changes in the Group's interests in associates

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interests are acquired.

3.2.3 Income recognition

(1) Interest income

Interest income is calculated and recognized in accordance with relevant policies specified in Note 3.2.7(2).

(2) Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligations either over time or at a point in time when a customer obtains the control right of relevant services.

If the revenue is recognized over time, the Group recognizes revenue in accordance with the progress towards complete satisfaction of a performance obligation, mainly including consultants fee, custodian business fee income, etc. If a performance obligation is not satisfied over time, it is satisfied at a point in time. The Group recognizes revenue at a point in time at which a customer obtains control of the promised services, mainly including insurance agency service fee, settlement and clearing fee, bond underwriting income, etc.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.3 Income recognition (continued)

(2) Fee and commission income (continued)

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

The Group is a principal if it controls the specified service before that service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

3.2.4 Foreign currencies transactions

Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates prevailing at the end of the reporting period. Exchange differences arising on translating monetary items at period end rates are recognized in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated at the rates prevailing on the date when the fair value is determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

3.2.5 Taxation

Income tax expense comprises current and deferred tax.

Current and deferred tax are recognized in profit or loss, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

(1) Current tax

Current income tax includes the expected tax payable on the taxable income for the period at applicable tax rates, and any adjustments to tax payable in respect of prior periods.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Taxation (continued)

(2) Deferred tax

Deferred tax is recognized on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, retirement benefits and early retirement benefits.

(1) Short-term employee benefits

Short-term employee benefits include wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, as well as labour union fees and employee education expenses.

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses.

(2) Retirement benefits

The Group's retirement benefits include defined contribution plans and defined benefit plans. Under defined contribution plans, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. All other retirement plans are classified as defined benefit plans.

The Group's retirement benefits are primarily the payments for basic pensions, unemployment insurance, annuity scheme and supplementary retirement benefits, among which, basic pensions, unemployment insurance and annuity scheme are defined contribution plans and supplementary retirement benefits is defined benefit plan. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

Basic pension and unemployment insurance

Pursuant to the relevant laws and regulations of the PRC, the Group participated in the social insurance system established and managed by government organizations. The Group makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are charged to profit or loss as the related services are rendered by the employees.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Employee benefits (continued)

(2) Retirement benefits (continued)

Annuity Scheme

In addition to the statutory pension schemes, the Group's employees also participate in the annuity scheme set up by the Group under Annuity Scheme of Postal Savings Bank of China Co., Ltd. (the "Annuity Scheme") in accordance with the corporate annuity regulations stipulated by the government. The annuity contributions are paid by the Group with reference its employees' gross salaries, and are charged to profit or loss as the related services are rendered by the employees. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Supplementary retirement benefits

The Group gives supplementary retirement benefits to retired staffs who are qualified on or before December 31, 2010. The supplementary retirement benefits include supplementary pensions and supplementary medical benefits. The retirement benefits plan attributed to defined benefit plan, and is usually determined by one or several factors such as age, length of service and compensation.

The liabilities recognized in relation to the above defined benefit pension plan in the consolidated statement of financial position are the present values of defined benefit liabilities at the end of reporting period. The present value of defined benefit liability is based on the expected future cash outflow which is discounted with interest yield of government bonds with similar duration. The estimate of future cash outflows is affected by various assumptions, including inflation rate of pension and medical benefits as well as other factors. The actuarial gains or losses arising from supplemental retirement benefit are included in other comprehensive income when incurred.

(3) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits in IAS 19. The liabilities are recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in profit or loss. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the profit or loss when incurred.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments

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

(1) Classification of financial instruments

Financial assets are classified into the following three types on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") and;
- Fair value through profit or loss ("FVTPL").

The business model reflects how the Group manages the financial assets in order to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model of a group of financial assets include how the cash flows for these financial assets were collected in the past, how the asset's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers were compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified as financial assets measured at FVTPL.

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the assets are managed within a business model whose objective is to collect contractual cash flows;
- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

Financial assets measured at FVTOCI

Financial assets measured at FVTOCI include debt instruments and equity instruments.

Financial assets are classified as debt instruments measured at FVTOCI when they are not designated at FVTPL and both of the following conditions are met:

- the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

At the date of initial recognition of a financial asset, the Group may designate an equity investment, which is not held for trading, as financial assets measured at FVTOCI, and recognize dividend income in accordance with the relevant policies specified in Note 3.2.7(2). Once the designation is made, it cannot be revoked.

Financial assets measured at FVTPL

Financial assets measured at FVTPL include financial assets designated as at FVTPL and other financial assets mandatorily measured at FVTPL. The Group classifies the financial assets other than those measured at amortized cost and measured at FVTOCI as financial assets measured at FVTPL.

At initial recognition, the Group may designate financial assets as financial assets measured at FVTPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

A financial liability is classified as held for trading if it:

- is incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at FVTPL upon initial recognition when one of the following conditions is met:

- the designation can eliminate or significantly reduce accounting mismatch; or
- the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Financial liabilities measured at amortized cost

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities measured at amortized cost comprise borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued and other financial liabilities.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments

Initial recognition

Financial assets purchased or sold in regular ways are recognized on the trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are recognized immediately 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.

Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

Financial assets and liabilities measured at amortized cost

The amortized cost of the financial assets or financial liabilities is determined at initial recognition after being adjusted as follow:

- deducting the principal repaid;
- adding or deducting the cumulative amortization of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest rate method;
- deducting any loss allowance (solely for financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant periods. The effective interest rate is the interest rate used to discount the estimated future cash flows of financial assets or financial liabilities over the estimated duration to the carrying amount (i.e. the amortized cost before any impairment allowance) of the financial assets or to the amortized cost of the financial liabilities. The expected credit losses are not considered in calculation, while the transaction costs, premiums or discounts, and fees paid or received that are integral to the effective interest rate are covered.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets and liabilities measured at amortized cost (continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, with the following exceptions:

- a purchased or originated credit-impaired ("POCI") financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted effective interest rate to its amortized cost;

- a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortized cost. If, in a subsequent period, the credit quality of the financial asset is improved so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross amount.

Financial assets measured at FVTOCI

Debt instruments

Interest income calculated using the effective interest rate method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income.

Interest income derived from these financial assets is included in and disclosed as "interest income" using the effective interest rate method.

When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss for the current period.

Equity instruments

Where an equity investment not held for trading is designated as a financial asset measured at FVTOCI, the changes in fair value of the financial asset are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. The dividend income on the investment is recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets measured at FVTPL

Financial assets measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period, unless in the case of financial liabilities designated at FVTPL, where gains or losses are treated as follows:

- changes in the fair value of such financial liabilities resulting from the changes in the Group's own credit risk are recognized in other comprehensive income;

- other changes in fair value of such financial liabilities are recognized in profit or loss for the current period. If the accounting of changes in the credit risk of the financial liabilities will create or enlarge accounting mismatches in profit or loss, the Group shall recognize all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss for the current period.

When the liabilities designated at FVTPL are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

Equity instruments

An equity instrument refers to a contract that evidences a residual interest in the assets of the Group after deducting all liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares, preference shares and perpetual bonds issued by the Group, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(3) Impairment of financial instruments

For debt instruments carried at amortized cost and FVTOCI and exposure arising from credit commitments and financial guarantee contract, the Group assesses the expected credit losses of financial assets with the forward-looking information.

ECL are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At the reporting date, the Group assesses whether there is a significant increase in the credit risk of its financial instruments since their initial recognition, and calculates the impairment allowance and recognizes the ECL and changes as follows:

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains;
- If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(3) Impairment of financial instruments (continued)

For financial assets that are measured at amortized cost, the loss allowance is recognized in profit or loss by adjusting their carrying amount. For debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

If the Group has measured the loss allowance for a financial instrument other than POCI financial assets at an amount equal to lifetime expected credit losses in the previous reporting period, however it is determined that at the current reporting date the credit risk on the financial instruments has no longer increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL at the current reporting date and the amount of ECL reversed is recognized in profit or loss.

At the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognizes the amount of the changes in lifetime expected credit losses in profit or loss as an impairment gain or loss.

(4) Modification of financial instruments

In some cases, the Group may renegotiate or otherwise modify the contractual cash flows of financial instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a “new” asset at fair value and recalculates a new effective interest rate for the asset. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(5) Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the financial asset has been transferred, and the Group transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; or
- the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but it does not retain control of the transferred asset.

Where the financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the ownership and the Group retains the control over the transferred financial asset, the financial assets and relevant liabilities shall be recognized to the extent of the Group's continuing involvement in the assets.

The Group writes off a financial asset when there is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. The write-off constitutes a derecognition event.

Financial liabilities

A financial liability (or part of it) is derecognized when the obligation under the liability is discharged, cancelled or expired.

(6) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Financial Instruments (continued)

(7) Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "Financial assets held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "Financial assets sold under repurchase agreements".

The financial asset held under resale agreements are presented at their carrying amount, net of allowance for impairment loss. The cash received from financial assets sold under repurchase agreements are accounted for a liability and presented at their carrying amount. Relevant interest income and expense are recognized at accrual basis.

3.2.8 Property and equipment

Property and equipment are recognized by the Group when the economic benefits are expected to be received and their costs can be measured reliably. The purchased or newly-built property and equipment are initial recognized at their cost at the time of addition. Property and equipment injected by China Post Group during the establishment and joint-stock restructuring of the Group are recognized at the value determined by the state-owned assets management department.

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be measured reliably and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Depreciation is recognized as a component of operating expenses so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.8 Property and equipment (continued)

The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of property and equipment are as follow:

Categories	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	5%	4.75%
Electronic equipment	3 years	5%	31.67%
Motor vehicles	4 years	5%	23.75%
Office equipment and other	5 years	5%	19.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. The costs comprise construction cost, installation cost, borrowing costs that are eligible for capitalisation and other costs necessary for preparing the property and equipment for their intended use. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continuing use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net other operating gains. Property and equipment's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

3.2.9 Land use rights

Land use rights are classified in other assets and amortized over the respective lease periods, which range from 10 to 40 years. The land use right injected by China Post Group during the establishment and joint-stock restructuring of the Group are initially measured at the value determined by the state-owned assets management department.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.10 Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at acquisition cost. For those injected by China Post Group during the establishment and joint-stock restructuring of the Group, investment properties are initially measured at the value determined by the state-owned assets management department. Subsequent expenditures incurred for the investment properties are included in the cost of the investment properties if they are probable that economic benefits associated with the asset will flow into the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss for the current period in which they are incurred.

Investment properties are subsequently measured at cost. Depreciation is recognized on a straight-line basis based on estimated useful life and net residual rate. The estimated useful life is 20 years and the estimated residual rate is 5% of the investment properties.

If an investment property's use has changed to as an owned-occupied property, the investment property is transferred thereafter to a property at the date of transfer. If an owned-occupied property's use has changed to earn rentals and/or for capital appreciation, the property is transferred thereafter to an investment property. On the date of transferring, the post-transferring carrying amount will be treated as the initial costs of the transferred property.

At the end of the reporting period, the Group reviews the estimated useful life, the estimated residual rate and the depreciation method of its investment properties and make adjustment when necessary.

3.2.11 Intangible assets

Intangible assets include software and other intangible assets, which are initially measured at cost.

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset are recognized in profit or loss when the asset is derecognized.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.12 Impairment of non-financial assets

Property and equipment, investment properties, construction in progress, right-of-used assets and intangible assets with finite useful lives, among others, are tested for impairment if there is any indication that the assets may be impaired as at the end of the reporting period. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate cash inflows that are largely independent of the cash flows from other assets or groups of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. Any reversal of an impairment loss is recognized immediately in profit or loss.

3.2.13 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less, deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements and some of short-term debt securities.

3.2.14 Precious metals

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognized. The precious metals deposited from its customers in the Group are measured at fair value both on initial recognition and in subsequent measurement.

3.2.15 Dividend distribution

Dividend distribution of ordinary share to the Bank's shareholders is recognized as a liability in the Bank's financial statements when the dividends are approved by the Bank's shareholders. Dividend distribution of preference share is recognized as a liability when the dividends are approved by the Bank's Board of Directors.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.2.17 Fiduciary activities

The Group's fiduciary business refers to services for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, trust companies and other institutions. The Group fulfils its fiduciary duty and receives relevant fees and commissions in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instructions (including but not limited to the counterparties, purposes, amounts, interest rates and repayment schedules of the entrust loan) of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

3.2.18 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss under Note 3.2.7(3); and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during certain period.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.18 Financial guarantee contracts and loan commitments (continued)

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

The expected credit losses of loan commitment and financial guarantee contracts are recognized as a provision and presented in other liabilities.

3.2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events but is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized but disclosed. The Group's contingent liabilities are disclosed in Note 42 "Contingent liabilities and commitments".

A provision is recognized when it meets the criteria as set forth in Note 3.2.16 "Provisions".

3.2.20 Lease

(1) Identifying a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset for a period of time, the Group assesses the following:

- Whether there is an identified asset in a contract. An identified asset is typically identified by being explicitly or implicitly specified in a contract. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset. The Group does not have the right to use an identified asset if the lessor has the substantive right to substitute the asset throughout the period of use;

- the right to obtain substantially all of the economic benefits from use of the identified asset;

- the right to direct the use of an identified asset.

For a contract that is, or contains, a lease, the Group does not elect to separate non-lease components from lease components, instead, it accounts for each lease component and any associated non-lease components as a single lease component.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.20 Lease (continued)

(2) The Group as a lessee

At the commencement date, the Group recognizes a right-of-use asset and a lease liability. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date; any initial direct costs incurred by the Group; an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset; less any lease incentives received.

The Group uses the straight-line method to accrue depreciation for the right-of-use assets in the period from the beginning of the lease term to the end of the service life or the lease term, whichever is shorter. The estimated service life of the right-of-use asset is determined based on the same method as the estimated service life of the real estate and equipment. The carrying amount of the right-of-use asset is adjusted for any remeasurement of the lease liability. In addition, the impairment loss (if any) of the right-of-use assets is recognized on a regular basis.

At the commencement date, the Group recognizes and measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments need to be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate of lessee. Generally, the Group uses the incremental borrowing rate as the discount rate.

The lease payments comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase or an extension option if the Group is reasonably certain to exercise that option;
- the payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group remeasures the lease liability by discounting the revised lease payments, if there is a change in future lease payments resulting from a change in an index or a rate, or if there is a change in the assessments about whether to exercise an option about purchase, extension or termination.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.20 Lease (continued)

(2) The Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

When the lease changes and the following conditions are met at the same time, the Group treats it as a separate lease for accounting treatment:

- The lease change expands the scope of the lease by adding the right to use one or more leased assets;

- The increased consideration is equivalent to the stand-alone price of the expanded part of the lease scope after adjustment according to the contract.

When the lease change is not treated as a separate lease, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. If the lease modifications decrease the scope or term of the lease, the Group correspondingly decreases the carrying amount of the right-of-use asset and recognizes the relevant gains or losses from the partial or full termination of the lease as the current profit or loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of the right-of-use asset accordingly.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.20 Lease (continued)

(3) The Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. All other leases are classified as operating leases.

As a lessor of an operating lease, the Group recognizes lease receivables from operating leases as income on either a straight-line basis or another systematic basis. For the initial direct costs, the Group adds the costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income. For the depreciable underlying assets subject to operating leases, the depreciation policy is consistent with the Group's similar assets. For the variable lease payments not including in lease receivables but related to operating lease, the Group recognizes the amount in profit or loss as incurred.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

3.2.21 Segment analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Relevant committees led by the President of the Bank (the "President") allocate resources to and assesses the performance of the operating segments based on periodically reviewing this analysis. The Group's reportable segments are determined based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to the daily operation business of the management. Operating segments meeting the same qualifications are aggregated into a single reportable segment.

The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and disclosed amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those disclosed as a result of the use of estimates and assumptions about future conditions.

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets at amortized cost and FVTOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements involved in applying the accounting requirements for measuring ECL, include:

- Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining significant increase in credit risk or becoming credit-impaired;
- Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement;
- Management overlay adjustments for significant uncertain factors not covered in the models;
- The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.

Detailed information about the judgements and estimates made by the Group is set out in Note 45.3 Credit risk.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. Valuation techniques include the use of recent prices of transaction between knowledgeable, willing parties, observable prices of similar financial instruments, discounted cash flows analysis with risk adjusted, as well as pricing models that are commonly used in the market. To the extent practical, models for the valuation of derivatives and other financial instruments use observable market data, such as interest yield curves and foreign exchange rates. However areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Fair values calculated using valuation techniques are verified based on the industry practice and currently observable prices of same or similar financial instruments in the market.

The Group, through regular review and approval procedures, reviews the assumptions and market expectations adopted by the valuation techniques, including the examination of assumptions and pricing factors of models, changes in assumptions of models, properties of market parameters, whether the market is active or not, adjustment factors of fair values which are not covered by models, and the consistency of valuation techniques between periods. Valuation techniques are regularly reviewed through validity tests and updated to reflect the market various at the end of the reporting period where appropriate.

4.3 Income taxes

In the ordinary course of the Group's business, there are certain transactions and activities for which there are uncertainties concerning their ultimate tax treatment. In accordance with the current tax laws and regulations as well as the policies applicable to the Group from competent government authorities in the previous years, the Group makes tax estimates on the implementation of new tax laws and regulations as well as events involving uncertainties in tax treatment. In calculating its income tax liabilities, the Group makes significant judgements. Where the final outcome of these tax matters is different from the amounts initially recorded, such differences will affect the current income tax and deferred income tax provisions in the period during which such a determination is made.

4.4 Control over structured entities

Where the Group acts as asset manager or investor of structured entities, the Group makes judgement on whether it controls the structured entities. The principle of control includes three factors: (i) power over investees; (ii) exposure or right to the variable returns of investees, and (iii) ability to affect those returns through its power over the investees. If evidence shows that the factors of the control change, the Group reassesses whether it has control on the investees. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests (such as direct investment) that it holds in the structured entities.

5 Net interest income

	2022	2021
Interest income		
Deposits with central bank	19,182	18,902
Deposits with banks and other financial institutions	3,298	1,615
Placements with banks and other financial institutions	9,629	10,525
Financial assets held under resale agreements	4,467	5,641
Loans and advances to customers	309,240	287,207
Including: Personal loans and advances	204,551	189,021
Corporate loans and advances	104,689	98,186
Financial investments		
Financial assets measured at amortized cost	117,471	116,219
Financial assets measured at fair value through other comprehensive income-debt instruments	10,953	11,458
Subtotal	474,240	451,567
Interest expense		
Borrowings from central bank	(368)	(281)
Deposits from banks and other financial institutions	(1,299)	(1,346)
Placements from banks and other financial institutions	(1,422)	(1,283)
Financial assets sold under repurchase agreements	(1,411)	(1,471)
Customer deposits	(192,661)	(175,218)
Debt securities issued	(3,486)	(2,586)
Subtotal	(200,647)	(182,185)
Net interest income	273,593	269,382
Included in interest income		
Interest income from listed investments	113,688	106,389
Interest income from unlisted investments	14,736	21,288

(All amounts in millions of RMB unless otherwise stated)

6 Net fee and commission income

		2022	2021
Agency service business	(1)	16,799	12,477
Bank cards business		11,882	11,951
Settlement and clearing	(2)	9,535	9,626
Wealth management		7,606	5,170
Investment banking	(3)	1,671	1,366
Custody business		1,214	1,164
Others		1,038	629
Fee and commission income		49,745	42,383
Fee and commission expense	(4)	(21,311)	(20,376)
Net fee and commission income		28,434	22,007

(1) Fee and commission income from agency service business mainly includes fee and commission income from bancassurance, distribution of fund products, government bonds underwriting, and collection and payment services.

(2) Fee and commission income from settlement and clearing refers to income derived from settlement and clearing services the Group provided to customers, including fee and commission derived from electronic payment services, corporate settlement services, and personal settlement services.

(3) Fee and commission income from investment banking refers to income derived from underwriting and distributing bonds and securities, asset securitization, syndicated loan, and advisory services.

(4) Fee and commission expense is expense incurred for agency and settlement services, including those paid to China Post Group for agency services (Note 40.3.1(1)).

7 Net trading gains

	2022	2021
Debt securities	3,439	3,231
Derivatives and others	234	55
Total	3,673	3,286

8 Net gains on investment securities

	2022	2021
Net gain from financial assets measured at FVTPL	19,849	21,763
Net gain from financial assets measured at FVTOCI	1,710	1,318
Total	21,559	23,081

9 Net other operating gains

	2022	2021
Net gains/(losses) on foreign exchanges	5,757	(929)
Government subsidies	794	1,067
Leasing income	125	143
Other	533	464
Total	7,209	745

10 Operating expenses

		2022	2021
Deposit agency fee and others (Note 40.3.1(1))		102,248	89,182
Staff costs (including emoluments of directors, supervisors and senior management)	(1)	62,878	59,228
Depreciation and amortization		11,300	9,037
Taxes and surcharges	(2)	2,620	2,468
Auditor's remuneration		30	30
Other expenses	(3)	29,604	31,050
Total		208,680	190,995

(All amounts in millions of RMB unless otherwise stated)

10 Operating expenses (continued)

(1) Staff costs (including emoluments of directors, supervisors and senior management)

	2022	2021
Short-term employee benefits		
Wages and salaries, bonuses, allowance and subsidies	43,778	41,618
Housing funds	4,200	3,878
Social insurance	3,336	3,015
Including: Medical insurance	3,194	2,874
Maternity insurance	63	70
Work injury insurance	79	71
Staff welfare	2,698	2,519
Labour union funds and employee education funds	1,089	1,018
Others	39	27
Subtotal	55,140	52,075
Defined contribution plans		
Basic pensions	5,049	4,703
Annuity scheme	2,542	2,300
Unemployment insurance	89	129
Subtotal	7,680	7,132
Supplementary retirement benefits and early retirement benefits	58	21
Total	62,878	59,228

(2) Taxes and surcharges mainly include urban construction tax, educational surcharges, property tax, land use tax, vehicle and vessel use tax and stamp duty, etc.

(3) For the year ended December 31, 2022, the rental expenses of short-term leases and low value asset leases included in other expenses were RMB711 million (for the year ended December 31, 2021: RMB742 million).

11 Emoluments of directors and supervisors

11.1 Details of the directors and supervisors' emoluments are as follows:

	2022				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Executive directors					
Liu Jianjun (劉建軍)(i)	–	–	–	–	–
Zhang Xuewen (張學文)	–	537	197	84	818
Yao Hong (姚紅)	–	510	197	85	792
Non-executive directors					
Han Wenbo (韓文博)(ii)	–	–	–	–	–
Chen Donghao (陳東浩)(ii)	–	–	–	–	–
Wei Qiang (魏強)(ii)	–	–	–	–	–
Liu Yue (劉悦)(ii)	–	–	–	–	–
Ding Xiangming (丁向明)(ii)	–	–	–	–	–
Independent non-executive directors					
Wen Tiejun (溫鐵軍)(iii)	348	–	–	–	348
Chung Shui Ming Timpson (鍾瑞明)(iii)	348	–	–	–	348
Hu Xiang (胡湘)	348	–	–	–	348
Pan Yingli (潘英麗)(iii)	348	–	–	–	348
Tang Zhihong (唐志宏)(iv)	–	–	–	–	–
Supervisors					
Chen Yuejun (陳躍軍)	–	521	197	85	803
Zhao Yongxiang (趙永祥)(v)	–	–	–	–	–
Wu Yu (吳昱)(vi)	300	–	–	–	300
Bai Jianjun (白建軍)	300	–	–	–	300
Chen Shimin (陳世敏)	300	–	–	–	300
Li Yue (李躍)(vii)(viii)	–	–	–	–	–
Bu Dongsheng (卜東升)(vii)	–	–	–	–	–
Gu Nannan (谷楠楠)(vii)	–	–	–	–	–
Directors and supervisors resigned					
Zhang Jinliang (張金良)(ix)	–	–	–	–	–
Fu Tingmei (傅廷美)(x)	348	–	–	–	348
Li Yujie (李玉杰)(xi)	–	–	–	–	–
Total(xii)	2,640	1,568	591	254	5,053

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) The Executive Director and the President of the Bank, Mr. Liu Jianjun received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) Non-executive Directors, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue, and Mr. Ding Xiangming, did not receive emolument from the Bank.

(iii) On October 26, 2022, the Board of Directors of the Bank nominated Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli for re-election as Independent Non-executive Directors of the Bank. On November 11, 2022, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli were re-elected as Independent Non-executive Directors of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The term of office of them is three years, commencing from November 11, 2022.

(iv) On October 26, 2022, the Board of Directors of the Bank approved the proposal on the nomination of Mr. Tang Zhihong as the candidate for Independent Non-executive Director of the Bank. According to the Bank's announcement on March 16, 2023, the Bank has received the reply from the CBIRC (Yin Bao Jian Fu [2023] No. 127), pursuant to which the CBIRC has approved the qualification of Mr. Tang Zhihong as an independent non-executive Director of the Bank. Mr. Tang Zhihong has been appointed as an independent non-executive Director of the Bank since March 10, 2023. Mr. Tang Zhihong serves as an independent non-executive Director of the Bank for a term of three years.

(v) Mr. Zhao Yongxiang did not receive emolument from the Bank.

(vi) On May 30, 2022, Mr. Wu Yu submitted his resignation due to the fact that he has served his six years' term of the office as an external Supervisor of the Bank. To ensure that the Board of Supervisors of the Bank meets the requirement that the number of external supervisors shall not be less than one third of all members of the Board of Supervisors, Mr. Wu Yu will continue to perform his duties as a supervisor in accordance with relevant laws, regulations and the articles of association of the Bank before the newly elected external supervisor takes office.

(vii) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(viii) On July 18, 2022, the Tenth Session of the First Employee Representative Assembly of the Bank elected Mr. Li Yue to be reappointed as the Employee Supervisor.

(ix) Mr. Zhang Jinliang ceased to be the Chairman and Non-executive Director of the Bank, the chairman and member of Strategic Planning Committee of the Board due to change of job, with effect from April 25, 2022. During the term of office, he received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(x) According to the Bank's announcement on March 16, 2023, Mr. Fu Tingmei ceases to be an independent non-executive Director of the Bank upon the expiry of his six-year term of office.

(xi) Mr. Li Yujie ceased to be the Supervisor of the Bank on January 4, 2022. During the term of office, he did not receive emolument from the Bank.

(xii) The total compensation packages for certain directors and supervisors for the year ended December 31, 2022 have not been finalized at the date of the approval of these consolidated financial statements. The compensation not yet accrued is not expected to have a significant impact on the Group's financial statements for the year ended December 31, 2022. The final compensation will be disclosed when determined.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

	2021				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Chairman					
Zhang Jinliang(張金良)(i)	–	–	–	–	–
Executive directors					
Liu Jianjun(劉建軍)(ii)	–	–	–	–	–
Zhang Xuewen(張學文)	–	1,802	179	79	2,060
Yao Hong(姚紅)	–	1,649	171	81	1,901
Non-executive directors					
Han Wenbo(韓文博)(iii)	–	–	–	–	–
Chen Donghao(陳東浩)(iii) (iv)	–	–	–	–	–
Wei Qiang(魏強)(iii) (v)	–	–	–	–	–
Liu Yue(劉悅)(iii)	–	–	–	–	–
Ding Xiangming(丁向明)(iii)	–	–	–	–	–
Independent non-executive directors					
Fu Tingmei(傅廷美)	460	–	–	–	460
Wen Tiejun(溫鐵軍)	460	–	–	–	460
Chung Shui Ming Timpson(鍾瑞明)	430	–	–	–	430
Hu Xiang(胡湘)	440	–	–	–	440
Pan Yingli(潘英麗)	440	–	–	–	440
Supervisors					
Chen Yuejun(陳躍軍)	–	1,741	179	80	2,000
Zhao Yongxiang(趙永祥)(vi)	–	–	–	–	–
Wu Yu(吳昱)	300	–	–	–	300
Bai Jianjun(白建軍)	300	–	–	–	300
Chen Shimin(陳世敏)	300	–	–	–	300
Li Yue(李躍)(vii)	–	–	–	–	–
Bu Dongsheng(卜東升)(vii)	–	–	–	–	–
Gu Nannan(谷楠楠)(vii) (viii)	–	–	–	–	–
Directors and supervisors resigned					
Guo Xinshuang(郭新雙)(ix)	–	–	–	–	–
Liu Yaogong(劉堯功)(x)	–	–	–	–	–
Li Yujie(李玉杰)(xi)	–	–	–	–	–
Song Changlin(宋長林)(vii) (xii)	–	–	–	–	–
Total(xiii)	3,130	5,192	529	240	9,091

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) Mr. Zhang Jinliang received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) On 31 May 2021,the Bank approved the appointment of Mr. Liu Jianjun as the President of the Bank; on June 29, 2021, Mr. Jianjun Liu was elected at the Bank's 2020 Annual General Meeting as the Executive Director. During the year ended December 31, 2021, the Bank has received the Reply from the CBIRC (Yin Bao Jian Xia (2021) No. 628), stating that it has approved Mr. Liu Jianjun's qualification as the President and Executive Director of the Bank. In accordance with relevant regulations, Mr. Liu Jianjun has, since August 1, 2021, officially held the posts of the President and Executive Director of the Bank and simultaneously served as a member of the Strategic Planning Committee of the Board of Directors, a member of the Nomination and Remuneration Committee of the Board of Directors, and the chairman and member of the Social Responsibility and Consumer Protection Committee of the Board of Directors. Mr. Liu Jianjun received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(iii) Non-executive Directors, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue, and Mr. Ding Xiangming, did not receive emolument from the Bank.

(iv) Mr. Chen Donghao was elected as a Non-executive Director of the Bank on July 15, 2021.

(v) Mr. Wei Qiang was elected as a Non-executive Director of the Bank on May 31, 2021.

(vi) Mr. Zhao Yongxiang did not receive emolument from the Bank.

(vii) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(viii) Mr. Gu Nannan was elected as a Supervisor of the Bank on June 8, 2021.

(ix) Mr. Guo Xinshuang ceased to be the Executive Director and President of the Bank on January 4, 2021. During the term of office, he received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(x) Mr. Liu Yaogong ceased to be the Non-executive Director of the Bank on January 29, 2021. During the term of office, he did not receive emolument from the Bank.

(xi) Mr. Li Yujie ceased to be the Supervisor of the Bank on January 4, 2022. During the term of office, he did not receive emolument from the Bank.

(xii) Mr. Song Changlin ceased to be Supervisor of the Bank on June 8, 2021.

(xiii) The total remuneration of directors and supervisors of the Bank in 2021 has been approved by the Second Extraordinary General Meeting of the Bank in 2022.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

11 Emoluments of directors and supervisors (continued)

11.2 Five highest paid individuals

For the years ended December 31, 2022 and 2021, the five highest paid individuals did not include any member of the directors or supervisors. The emoluments of the five highest paid individuals in the Group are as follows:

	2022 RMB thousand	2021 RMB thousand
Remunerations paid	12,457	13,873
Contribution to pension schemes	382	504
Benefits in kind	437	335
Total	13,276	14,712

The number of these individuals, whose emoluments fell within the following bands, is as follows:

	2022 Number of employees	2021 Number of employees
RMB2,000,001-RMB2,500,000	1	3
RMB2,500,001-RMB3,000,000	3	1
RMB3,000,001-RMB3,500,000	1	–
RMB4,500,001-RMB5,000,000	–	1

11.3 Benefits and interests of directors, supervisors and their connected entities

(i) The Group enters into credit transactions with certain directors, supervisors or certain corporates and connected entities controlled by the directors or supervisors in general commercial terms in the ordinary course of business. For the years ended December 31, 2022 and 2021, the balance of loans and advances from the Group to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors was not significant. The Group did not provide any guarantee or security to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

(ii) For the years ended December 31, 2022 and 2021, no emolument was paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the annuity scheme and pension scheme, other retirement benefits for directors or supervisors were not significant, and there were no consideration provided to third parties for making available directors' or supervisors' services; and none of the directors or supervisors forfeited fees or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended December 31, 2022 and 2021.

(All amounts in millions of RMB unless otherwise stated)

12 Credit impairment losses

	2022	2021
Deposits with banks and other financial institutions	647	87
Placements with banks and other financial institutions	167	604
Financial assets held under resale agreements	187	(210)
Loans and advances to customers	37,588	28,728
Financial investments		
Financial assets measured at FVTOCI	(142)	622
Financial assets measured at amortized cost	(2,603)	11,578
Credit commitments	(1,538)	3,733
Other financial assets	1,022	1,496
Total	35,328	46,638

13 Income tax expenses

	2022	2021
Current income tax	11,265	11,128
Deferred income tax (Note 25(1))	(5,256)	(6,206)
Total	6,009	4,922

Corporate income tax is calculated at 25% of estimated taxable profit. Pre-tax deductible items of corporate income tax are governed by the relevant regulations of the PRC.

Reconciliation of income tax expenses and profits before income tax are as follow:

	2022	2021
Profit before income tax	91,364	81,454
Income tax expenses calculated at the statutory tax rate of 25%	22,841	20,364
Tax effect of income with non-taxable, tax reduction and deduction of interest for tax purpose	(18,193)	(16,008)
Tax effect of expenses not deductible for tax purpose	1,361	566
Income tax expenses	6,009	4,922

13 Income tax expenses (continued)

The Group's interest income from central and local government bonds and income from the distribution of securities investment funds are exempted from corporate income tax in accordance with the tax law; and the interest income from bonds issued by Ministry of Railways and micro loans to farmers enjoy reduction in corporate income tax; according to the *Notice of the Ministry of Finance and the State Administration of Taxation on corporate income tax policy of special bond interest income of Postal Savings Bank of China (CS [2015] No. 150)*, the interest income from special bonds issued by China Development Bank and Agricultural Development Bank of China can enjoy reduction in corporate income tax charge.

14 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during corresponding years.

	2022	2021
Net profit attributable to equity holders of the Bank	85,224	76,170
Less: Net profit for the year attributable to preference shareholders of the Bank	2,430	2,324
Net profit for the year attributable to perpetual bonds holders of the Bank	4,278	2,952
Net profit attributable to ordinary shareholders of the Bank	78,516	70,894
Weighted average number of ordinary shares in issue (in millions)	92,384	91,033
Basic and diluted earnings per share (in RMB Yuan)	0.85	0.78

On September 27, 2022, the Bank redempted the non-cumulative preference shares. The conversion feature of preference shares was considered to be contingently issuable ordinary shares. The triggering events of conversion did not exist for the year ended December 31, 2022 and 2021, respectively. Accordingly, there were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share.

(All amounts in millions of RMB unless otherwise stated)

15 Cash and deposits with central bank

		As at December 31, 2022	As at December 31, 2021
Cash		50,149	48,545
Statutory reserve with central bank	(1)	1,189,962	1,119,203
Surplus reserve with central bank	(2)	17,673	17,028
Fiscal deposits with central bank		6,167	4,682
Total		1,263,951	1,189,458

(1) Statutory reserve with central bank is mainly the general reserve deposited with the People's Bank of China (hereinafter referred to as the "central bank" or the "PBOC") by the Group in accordance with the relevant regulations, and cannot be used for daily operating activities. As at December 31, 2022, the ratio of the Bank for RMB deposits statutory reserve was 9.50% (December 31, 2021: 10.00%), whereas the ratio for foreign currency deposits was 6.00% (December 31, 2021: 9.00%).The statutory reserve funds placed by subsidiaries of the Bank are determined by the PBOC.

(2) Surplus reserve with central bank mainly represents deposits placed with central bank for settlement and clearing of interbank transactions.

16 Deposits with banks and other financial institutions

	As at December 31, 2022	As at December 31, 2021
Deposits with domestic banks	157,623	87,965
Deposits with other domestic financial institutions	394	278
Deposits with overseas banks	4,212	2,699
Gross amount	162,229	90,942
Allowance for impairment loss	(807)	(160)
Carrying amount	161,422	90,782

The collateral received in connection with deposits with banks and other financial institutions is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral". As at December 31, 2022, the Group did not have any netting agreements or similar arrangements with counterparties.

17 Placements with banks and other financial institutions

	As at December 31, 2022	As at December 31, 2021
Placements with domestic banks	1,874	20,091
Placements with other domestic financial institutions	303,087	258,935
Placements with overseas banks	–	2,551
Gross amount	304,961	281,577
Allowance for impairment loss	(1,651)	(1,484)
Carrying amount	303,310	280,093

18 Derivative financial assets and liabilities

The Group enters into derivative contracts of foreign exchange rate, interest rate and precious metal, which are primarily related to trading, asset and liability management, and customer driven transactions.

The contractual/notional amount and fair value of the derivative financial instruments held by the Group as at the end of the reporting period are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair value of instruments recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, or market prices of precious metals relative to their terms. The aggregate fair value of derivative financial assets and liabilities can fluctuate significantly over different periods.

(All amounts in millions of RMB unless otherwise stated)

18 Derivative financial assets and liabilities (continued)

	As at December 31, 2022			As at December 31, 2021		
	Contractual/ Notional amounts	Assets	Liabilities	Contractual/ Notional amounts	Assets	Liabilities
By types of contracts						
Exchange rate contracts	79,144	986	(1,569)	419,127	5,002	(4,106)
Interest rate contracts	300,700	876	(890)	214,289	1,049	(1,052)
Precious metal contracts	3,350	43	(6)	3,478	2	(18)
Total	383,194	1,905	(2,465)	636,894	6,053	(5,176)

	As at December 31, 2022	As at December 31, 2021
Analyzed by credit risk-weighted amount for counterparty:		
Credit risk-weighted amount		
Exchange rate contracts	791	4,292
Interest rate contracts	–	1
Precious metal contracts	16	12
Subtotal	807	4,305
Credit value adjustments	352	2,003
Central counterparties risk-weighted amount	257	298
Total	1,416	6,606

Credit risk-weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "*Capital Rules for Commercial Banks (Provisional)*" issued by the CBIRC which was effective from January 1, 2013 and "*Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives*" issued by the CBIRC which was effective from January 1, 2019, and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract.

19 Financial assets held under resale agreements

	As at December 31, 2022	As at December 31, 2021
Analyzed by type of collateral		
Debt securities	128,615	151,923
Bills	102,352	114,216
Gross amount	230,967	266,139
Allowance for impairment loss	(1,097)	(910)
Carrying amount	229,870	265,229

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral". As at December 31, 2022 and 2021, the Group did not have any netting agreements or similar arrangements with counterparties.

20 Loans and advances to customers

20.1 Loans and advances to customers by type

		As at December 31, 2022	As at December 31, 2021
Loans and advances to customers			
– Measured at amortized cost	(1)	6,375,343	5,642,792
– Measured at FVTOCI	(2)	602,367	594,407
Total		6,977,710	6,237,199

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.1 Loans and advances to customers by type (continued)

(1) Loans and advances to customers measured at amortized cost

	As at December 31, 2022	As at December 31, 2021
Personal loans and advances		
Consumer loans	2,728,645	2,665,930
– Residential mortgage loans	2,261,763	2,169,309
– Other consumer loans	466,882	496,621
Personal small and micro loans	1,135,194	915,354
Credit cards overdrafts and others	182,266	174,869
Subtotal	4,046,105	3,756,153
Corporate loans and advances		
– Loans	2,448,646	2,080,626
– Discounted bills	113,315	22,913
Subtotal	2,561,961	2,103,539
Gross amount of loans and advances to customers measured at amortized cost	6,608,066	5,859,692
Less: Allowance for impairment loss of loans and advances to customers at amortized cost		
– Stage 1	169,911	161,623
– Stage 2	9,087	7,478
– Stage 3	53,725	47,799
Carrying amount of loans and advances to customers measured at amortized cost	6,375,343	5,642,792

(2) Loans and advances to customers measured at FVTOCI

	As at December 31, 2022	As at December 31, 2021
Corporate loans and advances		
– Loans	220,716	173,310
– Discounted bills	381,651	421,097
Loans and advances to customers measured at FVTOCI	602,367	594,407

20 Loans and advances to customers (continued)

20.2 Detailed information regarding loans and advances to customers by geographical region, industries, types of collateral and overdue situation is set out in Note 45.3.4.

20.3 Loans and advances to customers by allowance for impairment loss

	As at December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	6,511,299	36,102	60,665	6,608,066
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(169,911)	(9,087)	(53,725)	(232,723)
Carrying amount of loans and advances to customers measured at amortized cost	6,341,388	27,015	6,940	6,375,343
Loans and advances to customers measured at FVTOCI	602,037	162	168	602,367
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	(1,253)	(1)	(168)	(1,422)

	As at December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	5,775,406	31,623	52,663	5,859,692
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(161,623)	(7,478)	(47,799)	(216,900)
Carrying amount of loans and advances to customers measured at amortized cost	5,613,783	24,145	4,864	5,642,792
Loans and advances to customers measured at FVTOCI	593,110	1,287	10	594,407
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	(3,477)	(156)	(10)	(3,643)

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers:

(1) Personal loans and advances to customers measured at amortized cost

	Year ended December 31, 2022			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,706,961	13,970	35,222	3,756,153
Transfers:				
Transfer to stage 1	2,956	(1,682)	(1,274)	–
Transfer to stage 2	(18,663)	18,709	(46)	–
Transfer to stage 3	(32,878)	(4,072)	36,950	–
Financial assets derecognized or settled during the year	(1,420,072)	(8,419)	(10,630)	(1,439,121)
New financial assets originated or purchased	1,743,707	–	–	1,743,707
Write-offs	–	–	(14,634)	(14,634)
Gross amount as at December 31, 2022	3,982,011	18,506	45,588	4,046,105

	Year ended December 31, 2021			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	3,211,789	10,380	31,724	3,253,893
Transfers:				
Transfer to stage 1	1,590	(1,323)	(267)	–
Transfer to stage 2	(13,380)	13,417	(37)	–
Transfer to stage 3	(21,896)	(3,034)	24,930	–
Financial assets derecognized or settled during the year	(1,132,393)	(5,470)	(9,814)	(1,147,677)
New financial assets originated or purchased	1,661,251	–	–	1,661,251
Write-offs	–	–	(11,314)	(11,314)
Gross amount as at December 31, 2021	3,706,961	13,970	35,222	3,756,153

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2022			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	2,068,445	17,653	17,441	2,103,539
Transfers:				
Transfer to stage 1	2,482	(2,482)	–	–
Transfer to stage 2	(7,773)	9,930	(2,157)	–
Transfer to stage 3	(7,011)	(1,549)	8,560	–
Financial assets derecognized or settled during the year	(847,719)	(5,956)	(6,624)	(860,299)
New financial assets originated or purchased	1,320,864	–	–	1,320,864
Write-offs	–	–	(2,143)	(2,143)
Gross amount as at December 31, 2022	2,529,288	17,596	15,077	2,561,961

	Year ended December 31, 2021			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	1,810,474	22,768	18,649	1,851,891
Transfers:				
Transfer to stage 1	2,826	(2,823)	(3)	–
Transfer to stage 2	(11,717)	11,770	(53)	–
Transfer to stage 3	(2,928)	(2,270)	5,198	–
Financial assets derecognized or settled during the year	(772,543)	(11,792)	(3,598)	(787,933)
New financial assets originated or purchased	1,042,333	–	–	1,042,333
Write-offs	–	–	(2,752)	(2,752)
Gross amount as at December 31, 2021	2,068,445	17,653	17,441	2,103,539

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

	Year ended December 31, 2022			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2022	593,110	1,287	10	594,407
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(162)	162	–	–
Transfer to stage 3	(168)	–	168	–
Financial assets derecognized or settled during the year	(593,110)	(1,287)	(8)	(594,405)
New financial assets originated or purchased	602,367	–	–	602,367
Write-offs	–	–	(2)	(2)
Carrying amount as at December 31, 2022	602,037	162	168	602,367

	Year ended December 31, 2021			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2021	609,857	607	10	610,474
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1,287)	1,287	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(609,857)	(607)	–	(610,464)
New financial assets originated or purchased	594,397	–	–	594,397
Write-offs	–	–	–	–
Carrying amount as at December 31, 2021	593,110	1,287	10	594,407

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers

(1) Personal loans and advances to customers measured at amortized cost

	Year ended December 31, 2022			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	72,900	4,153	30,502	107,555
Transfers:				
Transfer to stage 1	770	(440)	(330)	–
Transfer to stage 2	(2,394)	2,414	(20)	–
Transfer to stage 3	(5,624)	(1,368)	6,992	–
Changes of ECL arising from transfer of stage	(405)	3,889	22,601	26,085
Financial assets derecognized or settled during the year	(40,965)	(2,241)	(6,660)	(49,866)
New financial assets originated or purchased	47,360	–	–	47,360
Remeasurement	10,786	42	1,275	12,103
Write-offs	–	–	(14,634)	(14,634)
Loss allowance as at December 31, 2022	82,428	6,449	39,726	128,603

	Year ended December 31, 2021			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	67,909	3,951	26,520	98,380
Transfers:				
Transfer to stage 1	719	(552)	(167)	–
Transfer to stage 2	(2,070)	2,095	(25)	–
Transfer to stage 3	(4,499)	(1,372)	5,871	–
Changes of ECL arising from transfer of stage	(629)	1,720	13,851	14,942
Financial assets derecognized or settled during the year	(28,838)	(1,684)	(5,332)	(35,854)
New financial assets originated or purchased	49,257	–	–	49,257
Remeasurement	(8,949)	(5)	1,098	(7,856)
Write-offs	–	–	(11,314)	(11,314)
Loss allowance as at December 31, 2021	72,900	4,153	30,502	107,555

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2022			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	88,723	3,325	17,297	109,345
Transfers:				
Transfer to stage 1	449	(449)	–	–
Transfer to stage 2	(400)	2,406	(2,006)	–
Transfer to stage 3	(359)	(251)	610	–
Changes of ECL arising from transfer of stages	(283)	(1,089)	6,111	4,739
Financial assets derecognized or settled during the year	(47,446)	(1,054)	(5,801)	(54,301)
New financial assets originated or purchased	47,792	–	–	47,792
Remeasurement	(993)	(250)	(69)	(1,312)
Write-offs	–	–	(2,143)	(2,143)
Loss allowance as at December 31, 2022	87,483	2,638	13,999	104,120

	Year ended December 31, 2021			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	80,519	8,052	16,946	105,517
Transfers:				
Transfer to stage 1	1,373	(1,371)	(2)	–
Transfer to stage 2	(782)	821	(39)	–
Transfer to stage 3	(415)	(482)	897	–
Changes of ECL arising from transfer of stages	(1,192)	972	3,378	3,158
Financial assets derecognized or settled during the year	(33,085)	(4,112)	(2,551)	(39,748)
New financial assets originated or purchased	48,663	–	–	48,663
Remeasurement	(6,358)	(555)	1,420	(5,493)
Write-offs	–	–	(2,752)	(2,752)
Loss allowance as at December 31, 2021	88,723	3,325	17,297	109,345

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	3,477	156	10	3,643
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	(1)	–	1	–
Changes of ECL arising from transfer of stage	–	–	167	167
Financial assets derecognized or settled during the year	(3,477)	(156)	(8)	(3,641)
New financial assets originated or purchased	1,255	–	–	1,255
Remeasurement	–	–	–	–
Write-offs	–	–	(2)	(2)
Loss allowance as at December 31, 2022	1,253	1	168	1,422

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	1,609	11	10	1,630
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(156)	156	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	–	–	–
Financial assets derecognized or settled during the year	(1,609)	(11)	–	(1,620)
New financial assets originated or purchased	3,633	–	–	3,633
Remeasurement	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at December 31, 2021	3,477	156	10	3,643

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments

21.1 Financial assets measured at fair value through profit or loss

	As at December 31, 2022	As at December 31, 2021
Debt securities		
– Listed in Hong Kong	–	566
– Listed outside Hong Kong	78,782	61,633
– Unlisted	10	5,111
Subtotal	78,792	67,310
Interbank certificates of deposits		
– Listed outside Hong Kong	111,980	106,244
– Unlisted	–	76,419
Subtotal	111,980	182,663
Asset-backed securities		
– Listed outside Hong Kong	52	45
Fund investments		
– Unlisted	616,591	441,238
Trust investment plans and asset management plans		
– Unlisted	54,191	57,541
Wealth management products issued by financial institutions		
– Unlisted	199	–
Equity instruments		
– Listed outside Hong Kong	954	637
– Unlisted	1,024	1,163
Subtotal	1,978	1,800
Total	863,783	750,597

The above investments listed outside Hong Kong Special Administrative Region ("SAR") are mainly traded in the Domestic Interbank Bond Market.

21 Financial investments (continued)

21.1 Financial assets measured at fair value through profit or loss (continued)

Analyzed by types of issuers	As at December 31, 2022	As at December 31, 2021
Debt securities		
– Government	3,660	5,265
– Financial institutions	53,772	48,983
– Corporates	21,360	13,062
Subtotal	78,792	67,310
Interbank certificates of deposits		
– Financial institutions	111,980	182,663
Asset-backed securities		
– Financial institutions	52	45
Fund investments		
– Financial institutions	616,591	441,238
Trust investment plans and asset management plans		
– Financial institutions	54,191	57,541
Wealth management products issued by financial institutions		
– Financial institutions	199	–
Equity instruments		
– Financial institutions	13	14
– Corporates	1,965	1,786
Subtotal	1,978	1,800
Total	863,783	750,597

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.2 Financial assets measured at fair value through other comprehensive income-debt instruments

	As at December 31, 2022	As at December 31, 2021
Debt securities		
– Listed in Hong Kong	3,715	4,437
– Listed outside Hong Kong	412,408	297,807
Subtotal	416,123	302,244
Interbank certificates of deposits		
– Listed outside Hong Kong	49	391
Debt financing plans		
– Unlisted	–	3,497
Total	416,172	306,132

The above debt instruments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

21 Financial investments (continued)

21.2 Financial assets measured at fair value through other comprehensive income-debt instruments (continued)

Analyzed by types of issuers	As at December 31, 2022	As at December 31, 2021
Debt securities		
– Government	121,902	59,968
– Financial institutions	212,772	185,805
– Corporates	81,449	56,471
Subtotal	416,123	302,244
Interbank certificates of deposits		
– Financial institutions	49	391
Debt financing plans		
– Financial institutions	–	300
– Corporates	–	3,197
Subtotal	–	3,497
Total	416,172	306,132

For the years ended December 31, 2022 and 2021, there was no significant change of loss allowance arising from transfer of stages for the Group's financial assets measured at FVTOCI-debt instruments. The main reasons for the movement in the loss allowance are originates or purchases, derecognition or settlement.

As at December 31, 2022, the allowance for impairment loss of the Group's financial assets measured at FVTOCI-debt instruments was RMB1,006 million (As at December 31, 2021: RMB1,148 million), which mainly represented the loss allowance for the financial assets measured at FVTOCI at stage 1.

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.3 Financial assets measured at fair value through other comprehensive income-equity instruments

	As at December 31, 2022	As at December 31, 2021
Equity instruments		
– Listed outside Hong Kong	5,421	9,491
– Unlisted	3,925	2,397
Total	9,346	11,888

Analyzed by types of issuers:	As at December 31, 2022	As at December 31, 2021
Equity instruments		
– Financial institutions	3,925	2,397
– Corporates	5,421	9,491
Total	9,346	11,888

The Group designates part of non-trading equity investments as financial assets measured at FVTOCI-equity instruments. During the year ended December 31, 2022, the Group recognized RMB14 million dividend income for such equity investments (2021: RMB5 million).

In the current year, the Group disposed part of the equity instruments of RMB939 million (2021: RMB2,552 million). A cumulative gain on disposal, net of tax, of RMB486 million has been transferred to retained earnings (2021: RMB1,349 million).

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost

		As at December 31, 2022	As at December 31, 2021
Debt securities			
– Listed in Hong Kong		42,774	39,508
– Listed outside Hong Kong		2,794,473	2,339,662
– Unlisted	(1)	360,983	499,906
Subtotal		3,198,230	2,879,076
Interbank certificates of deposits			
– Listed outside Hong Kong		282,205	225,896
– Unlisted		10,562	3,188
Subtotal		292,767	229,084
Asset-backed securities			
– Listed outside Hong Kong		146,772	130,102
– Unlisted		2,569	14,975
Subtotal		149,341	145,077
Debt financing plans			
– Unlisted		12,289	7,264
Other debt instruments			
– Unlisted	(2)	45,137	51,543
Gross amount		3,697,764	3,312,044
Allowance for impairment loss		(28,166)	(32,041)
Carrying amount		3,669,598	3,280,003

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The above investments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(1) Unlisted debt securities included long term special financial bonds issued by China Development Bank and Agricultural Development Bank of China in 2015. As at December 31, 2022, the carrying amount of these special financial bonds was RMB341,495million, with original maturity of 10 to 20 years (December 31, 2021: the carrying amount was RMB475,285 million, with original maturity of 7 to 20 years).

(2) Other debt instruments mainly include trust investment plans and asset management plans, etc.

Analyzed by types of issuers:	As at December 31, 2022	As at December 31, 2021
Debt securities		
– Government	1,413,809	1,246,558
– Financial institutions	1,673,179	1,517,591
– Corporates	111,242	114,927
Subtotal	3,198,230	2,879,076
Interbank certificates of deposits		
– Financial institutions	292,767	229,084
Asset-backed securities		
– Financial institutions	149,341	145,077
Debt financing plans		
– Corporates	12,289	7,264
Other debt instruments		
– Financial institutions	45,137	51,543
Gross amount	3,697,764	3,312,044
Allowance for impairment loss	(28,166)	(32,041)
Carrying amount	3,669,598	3,280,003

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables illustrate the changes in the gross amount of financial assets measured at amortized cost:

	Year ended December 31, 2022			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,281,086	9,041	21,917	3,312,044
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	(250)	250	–
Financial assets derecognized or settled during the year	(738,075)	(696)	(2,009)	(740,780)
New financial assets originated or purchased	1,126,500	–	–	1,126,500
Gross amount as at December 31, 2022	3,669,511	8,095	20,158	3,697,764

	Year ended December 31, 2021			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	3,162,676	18,440	13,014	3,194,130
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(2,093)	2,093	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(691,751)	(11,492)	(503)	(703,746)
New financial assets originated or purchased	812,254	–	9,406	821,660
Gross amount as at December 31, 2021	3,281,086	9,041	21,917	3,312,044

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables explain the changes in the loss allowance of financial assets measured at amortized cost:

	Year ended December 31, 2022			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	5,885	4,257	21,899	32,041
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	(54)	54	–
Changes of ECL arising from transfer of stage	–	–	160	160
Financial assets derecognized or settled during the year	(2,247)	(342)	(2,007)	(4,596)
New financial assets originated or purchased	1,871	–	–	1,871
Remeasurement	(896)	(437)	3	(1,330)
Exchange rate changes	20	–	–	20
Loss allowance as at December 31, 2022	4,633	3,424	20,109	28,166

	Year ended December 31, 2021			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	3,784	3,723	12,980	20,487
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(512)	512	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	338	–	338
Financial assets derecognized or settled during the year	(2,648)	(1,397)	(503)	(4,548)
New financial assets originated or purchased	3,446	–	9,388	12,834
Remeasurement	1,839	1,081	34	2,954
Others	(24)	–	–	(24)
Loss allowance as at December 31, 2021	5,885	4,257	21,899	32,041

22 Investment in subsidiaries

The entities in consolidation scope are mainly subsidiaries established by the Bank.

The Bank	As at December 31, 2022	As at December 31, 2021
Investment cost	15,115	10,115

Name of entities		Place of Incorporation/ registration and operations	Authorized/ paid-in capital RMB	Nature of business	Percentage of equity interest	Proportion of voting rights	Year of establishment
PSBC Consumer Finance Co., Ltd.*	(1)	Guangzhou, Guangdong Province, PRC	3 billion	Consumer finance	70.50%	70.50%	2015
PSBC Wealth Management Co., Ltd.*	(2)	Beijing, PRC	8 billion	Wealth management	100.00%	100.00%	2019
YOU+ BANK Co., Ltd.*	(3)	Shanghai, PRC	5 billion	Direct banking	100.00%	100.00%	2022

* These subsidiaries incorporated in PRC are all limited liability companies.

(1) On November 19, 2015, the Bank, together with other investors, jointly sponsored the establishment of PSBC Consumer Finance Co., Ltd. ("PSBC Consumer Finance"). PSBC Consumer Finance mainly engages in following RMB businesses: granting personal consumer loans; accepting deposits from domestic shareholders and their domestic subsidiaries; borrowing from domestic financial institutions; authorized issuance of financial bonds; placements with/from domestic banks and other financial institutions; consumer financing advisory and agency services; agency sales of consumer loans related insurance products, investments in fixed income securities; asset securitization business and other businesses as approved by the CBIRC. As at December 31, 2022, the Bank owned 70.50% in the equity interest and voting rights of PSBC Consumer Finance (December 31, 2021: 70.50%).

(All amounts in millions of RMB unless otherwise stated)

22 Investment in subsidiaries (continued)

(2) On December 3, 2019, the Bank obtained formal approval issued by the CBIRC (《關於中郵理財有限責任公司開業的批覆》) for the commencement of business operation of PSBC Wealth Management Co., Ltd. ("PSBC Wealth Management"). On December 18, 2019, PSBC Wealth Management was officially incorporated. The business scopes of PSBC Wealth Management are: public issuing wealth management products to unspecified general investors, carrying out investment and management of properties entrusted by investors; non-public issuing wealth management products to eligible investors, carrying out investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by the CBIRC. As at December 31, 2022, the Bank owned 100.00% in the equity interest and voting rights of PSBC Wealth Management (December 31, 2021: 100.00%).

(3) On December 16, 2021, the Bank obtained formal approval issued by the CBIRC (《關於中郵郵惠萬家銀行有限責任公司開業的批覆》) for the commencement of business operation of YOU+ BANK Co., Ltd. ("YOU+BANK"). On January 7, 2022, YOU+ BANK was officially incorporated. The business scopes of YOU+ BANK are: taking public deposits, mainly from individuals, small and micro enterprises; granting short-term, medium-term and long-term loans to individuals, small and micro enterprises; processing domestic and foreign settlement through electronic channels; processing electronic bill acceptance and discounting; issuance of financial bonds; buying and selling government bonds and financial bonds; conducting interbank placements; purchasing and selling foreign exchange, or acting as an agent thereof; operating bank card business; acting as an agent for receipts and payments and agency insurance business; other businesses as approved by the CBIRC. As at December 31, 2022, the Bank owned 100.00% in the equity interest and voting rights of YOU+ BANK.

(4) None of the subsidiaries had issued any debt securities at the December 31, 2022 and 2021, respectively.

23 Interests in associates

	As at December 31, 2022	As at December 31, 2021
Investment in an associate	653	–

On March 22, 2022, Guomin Pension Insurance Co., Ltd. (hereinafter referred to as "Guomin Pension") was incorporated with registered capital of RMB11.15 billion and the Bank's subsidiary, PSBC Wealth Management owned equity interest of Guomin Pension. The Group holds 5.83% of the equity interest and the voting rights, and could appoint directors and has right to participate in the financial and operational decisions of Guomin Pension. The directors of the Bank conclude that the Group only has significant influence over Guomin Pension and therefore it is classified as an associate of the Group.

24 Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Office equipment and other	Construction in progress	Total
Cost						
As at January 1, 2022	58,132	10,266	1,308	4,390	15,192	89,288
Increases	168	558	75	264	7,265	8,330
Transfer from investment properties	44	–	–	–	–	44
Transfer from construction in progress	2,968	2,337	–	216	(5,521)	–
Decreases	(339)	(1,061)	(77)	(292)	(3,848)	(5,617)
As at December 31, 2022	60,973	12,100	1,306	4,578	13,088	92,045
Accumulated depreciation						
As at January 1, 2022	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Charge for the year	(2,981)	(2,162)	(125)	(433)	–	(5,701)
Transfer from investment properties	(25)	–	–	–	–	(25)
Disposals	213	1,007	74	278	–	1,572
As at December 31, 2022	(24,824)	(9,713)	(973)	(3,263)	–	(38,773)
Carrying amount						
As at January 1, 2022	36,101	1,708	386	1,282	15,192	54,669
As at December 31, 2022	36,149	2,387	333	1,315	13,088	53,272

(All amounts in millions of RMB unless otherwise stated)

24 Property and equipment (continued)

	Buildings	Electronic equipment	Motor vehicles	Office equipment and other	Construction in progress	Total
Cost						
As at January 1, 2021	53,413	9,944	1,206	4,433	11,628	80,624
Increases	332	459	223	326	9,121	10,461
Transfer from investment properties	23	–	–	–	–	23
Transfer from construction in progress	4,484	744	8	52	(5,288)	–
Decreases	(120)	(881)	(129)	(421)	(269)	(1,820)
As at December 31, 2021	58,132	10,266	1,308	4,390	15,192	89,288
Accumulated depreciation						
As at January 1, 2021	(19,339)	(8,436)	(949)	(3,194)	–	(31,918)
Charge for the year	(2,726)	(928)	(96)	(312)	–	(4,062)
Transfer from investment properties	(11)	–	–	–	–	(11)
Disposals	45	806	123	398	–	1,372
As at December 31, 2021	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Carrying amount						
As at January 1, 2021	34,074	1,508	257	1,239	11,628	48,706
As at December 31, 2021	36,101	1,708	386	1,282	15,192	54,669

As at December 31, 2022, the Group was still in the process of obtaining ownership certificates of certain properties, with cost amounted to RMB3,283 million (December 31, 2021: RMB3,863 million), while carrying amount was RMB2,706 million (December 31, 2021: RMB2,902 million).

The management of the Group believed the above mentioned properties did not have any material adverse effect on the Group's business operations, operating performance and financial position.

All buildings of the Group were located outside Hong Kong SAR.

25 Deferred taxes

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The following is the analysis of the deferred tax balances.

	As at December 31, 2022	As at December 31, 2021
Deferred tax assets	63,955	56,319
Deferred tax liabilities	(11)	(11)
Total	63,944	56,308

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment loss	Staff cost accrued but not paid	Fair value changes of financial instruments	Provisions	Contract liabilities and others	Total
As at January 1, 2022	56,485	2,499	(5,013)	1,771	566	56,308
Credit/(Charge) to profit or loss	5,138	508	(465)	(13)	88	5,256
Charge to other comprehensive income	591	–	1,789	–	–	2,380
As at December 31, 2022	62,214	3,007	(3,689)	1,758	654	63,944
As at January 1, 2021	49,327	1,645	(3)	1,765	483	53,217
Credit/(Charge) to profit or loss	7,817	854	(2,554)	6	83	6,206
Charge to other comprehensive income	(659)	–	(2,456)	–	–	(3,115)
As at December 31, 2021	56,485	2,499	(5,013)	1,771	566	56,308

(All amounts in millions of RMB unless otherwise stated)

25 Deferred taxes (continued)

(2) Deferred tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at December 31, 2022		As at December 31, 2021	
	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment loss	248,856	62,214	225,941	56,485
Staff cost accrued but not paid	12,029	3,007	9,997	2,499
Provisions	7,031	1,758	7,083	1,771
Contract liabilities and others	3,051	763	2,686	672
Fair value changes of financial instruments	635	159	14	4
Total	271,602	67,901	245,721	61,431
Deferred tax liabilities				
Fair value changes of financial instruments	(15,391)	(3,848)	(20,065)	(5,017)
Others	(436)	(109)	(424)	(106)
Total	(15,827)	(3,957)	(20,489)	(5,123)
Net value	255,775	63,944	225,232	56,308

26 Other assets

		As at December 31, 2022	As at December 31, 2021
Right-of-use assets	(1)	12,475	12,569
Intangible assets	(2)	5,408	2,162
Amounts pending for settlement and clearing		5,141	14,044
Interest receivable		4,908	4,832
Continuing involvement assets (Note 43.3)		4,450	4,070
Deferred expenses	(3)	4,277	2,569
Other accounts receivable		4,243	3,862
Precious metals		3,566	3,984
Receivable of fee and commission		3,460	3,298
Prepaid expenses		2,099	1,279
Low-value consumables		480	457
Foreclosed assets		175	211
Investment properties		8	28
Prepaid investment	(4)	–	5,000
Others		3,322	2,845
Gross amount		54,012	61,210
Allowance for impairment loss		(1,677)	(1,759)
Net value		52,335	59,451

(All amounts in millions of RMB unless otherwise stated)

26 Other assets (continued)

(1) Right-of-use assets

	Properties	Land use rights	Total
Cost			
As at January 1, 2022	17,832	2,614	20,446
Additions	4,316	1	4,317
Disposals	(3,511)	(1)	(3,512)
As at December 31, 2022	18,637	2,614	21,251
Accumulated depreciation/amortization			
As at January 1, 2022	(7,168)	(709)	(7,877)
Provided for the year	(3,789)	(63)	(3,852)
Disposals	2,952	1	2,953
As at December 31, 2022	(8,005)	(771)	(8,776)
Carrying amount			
As at January 1, 2022	10,664	1,905	12,569
As at December 31, 2022	10,632	1,843	12,475

26 Other assets (continued)

(1) Right-of-use assets (continued)

	Properties	Land use rights	Total
Cost			
As at January 1, 2021	15,971	2,613	18,584
Additions	4,749	1	4,750
Disposals	(2,888)	–	(2,888)
As at December 31, 2021	17,832	2,614	20,446
Accumulated depreciation/amortization			
As at January 1, 2021	(5,611)	(648)	(6,259)
Provided for the year	(3,790)	(61)	(3,851)
Disposals	2,233	–	2,233
As at December 31, 2021	(7,168)	(709)	(7,877)
Carrying amount			
As at January 1, 2021	10,360	1,965	12,325
As at December 31, 2021	10,664	1,905	12,569

(2) Intangible assets of the Group mainly include computer software which is amortized within 10 years.

(3) Deferred expenses mainly represent costs for improvement of property and equipment under leases arrangement.

(4) As at December 31, 2021, the YOU+Bank had not yet been officially incorporated and thus the capital injection from the Bank was presented in other assets. On January 7, 2022, the YOU+ Bank was officially incorporated, please refer to Note 22(3) for details.

(All amounts in millions of RMB unless otherwise stated)

27 Movements of allowance for impairment loss

		Year ended December 31, 2022					
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	160	647	–	–	–	807
Placements with banks and other financial institutions	17	1,484	167	–	–	–	1,651
Financial assets held under resale agreements	19	910	187	–	–	–	1,097
Loans and advances to customers	20	220,543	37,588	3,937	(28,064)	141	234,145
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	1,148	(142)	–	–	–	1,006
Financial assets measured at amortized cost	21.4	32,041	(2,603)	311	(1,603)	20	28,166
Foreclosed assets	26	42	18	–	(18)	–	42
Other assets	26	1,717	1,023	94	(1,199)	–	1,635
Total		258,045	36,885	4,342	(30,884)	161	268,549

		Year ended December 31, 2021					
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	73	87	–	–	–	160
Placements with banks and other financial institutions	17	883	604	–	–	(3)	1,484
Financial assets held under resale agreements	19	1,120	(210)	–	–	–	910
Loans and advances to customers	20	205,527	28,728	4,016	(17,623)	(105)	220,543
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	526	622	–	–	–	1,148
Financial assets measured at amortized cost	21.4	20,487	11,578	–	–	(24)	32,041
Foreclosed assets	26	39	20	–	(17)	–	42
Other assets	26	850	1,496	130	(759)	–	1,717
Total		229,505	42,925	4,146	(18,399)	(132)	258,045

28 Borrowings from central bank

	As at December 31, 2022	As at December 31, 2021
Borrowings from central bank	24,815	17,316

As at December 31, 2022 and 2021, borrowings from central bank were special central bank lendings issued and carbon reduction supporting tools by the PBOC.

29 Deposits from banks and other financial institutions

	As at December 31, 2022	As at December 31, 2021
Deposits from domestic banks	28,882	85,404
Deposits from other domestic financial institutions	49,888	69,405
Total	78,770	154,809

30 Placements from banks and other financial institutions

	As at December 31, 2022	As at December 31, 2021
Placements from domestic banks	37,425	29,720
Placements from overseas banks	5,274	12,845
Total	42,699	42,565

(All amounts in millions of RMB unless otherwise stated)

31 Financial assets sold under repurchase agreements

	As at December 31, 2022	As at December 31, 2021
Analyzed by type of collateral:		
Debt securities	154,328	9,270
Bills	29,318	25,373
Total	183,646	34,643

The collateral pledged under repurchase agreement is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral".

32 Customer deposits

	As at December 31, 2022	As at December 31, 2021
Demand deposits		
Personal	3,185,218	3,008,998
Corporate	924,174	898,371
Subtotal	4,109,392	3,907,369
Time deposits		
Personal	8,096,979	7,036,637
Corporate	505,392	407,065
Subtotal	8,602,371	7,443,702
Other deposits	2,722	3,002
Total	12,714,485	11,354,073

As at December 31, 2022, customer deposits received by the Group included pledged deposits of RMB42,570 million (December 31, 2021: RMB40,819 million).

33 Debt securities issued

		As at December 31, 2022	As at December 31, 2021
Debt securities issued			
Including: 10-year tier-2 capital bonds at a fixed interest rate (issued in March, 2017)	(1)	–	20,683
10-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(2)	50,612	50,610
15-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(3)	10,134	10,133
10-year tier-2 capital bonds at a fixed interest rate (issued in March, 2022)	(4)	36,011	–
15-year tier-2 capital bonds at a fixed interest rate (issued in March, 2022)	(5)	5,153	–
Total		101,910	81,426

(1) In March 2017, upon the approval from the CBIRC and the PBOC, the Group issued RMB20 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 4.50%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2022 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. The Group has executed the option and redeemed all of the bonds in March 2022.

(2) In August 2021, upon the approval from the CBIRC and the PBOC, the Group issued RMB50 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.44%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2026 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.44% from August 2026 onward.

(3) In August 2021, upon the approval from the CBIRC and the PBOC, the Group issued RMB10 billion of 15-year tier-2 capital bonds at a fixed coupon rate of 3.75%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2031 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.75% from August 2031 onward.

(4) In March 2022, upon the approval from the CBIRC and the PBOC, the Group issued RMB35 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.54%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2027 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.54% from March 2027 onward.

(5) In March 2022, upon the approval from the CBIRC and the PBOC, the Group issued RMB5 billion of 15-year tier-2 capital bonds at a fixed coupon rate of 3.74%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2032 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.74% from March 2032 onward.

The above-mentioned tier-2 capital bonds contain a write-down feature, which allows the Group to write down the entire principal of the bonds when a regulatory triggering event occurs as stipulated in the offering documents and not to pay any outstanding interests payable that have been accumulated. These tier-2 capital bonds meet the relevant criteria of the CBIRC and are qualified as tier-2 capital instruments.

(All amounts in millions of RMB unless otherwise stated)

34 Other liabilities

		As at December 31, 2022	As at December 31, 2021
Employee benefits payable	(1)	22,860	19,071
Payables for agency services		13,666	14,904
Provisions	(2)	13,664	15,254
Lease liabilities	(3)	9,852	9,683
Continuing involved liabilities (Note 43.3)		4,450	4,070
VAT and other taxes payable		4,372	4,454
Amount pending for settlement and clearing		3,558	8,785
Payables to China Post Group and other related parties (Note 40.3.1(4))		2,284	1,999
Contract liabilities		1,976	1,937
Dormant accounts		1,905	2,066
Payable for construction cost		943	1,032
Exchange transaction payables		881	878
Others		9,388	13,905
Total		89,799	98,038

(1) Employee benefits payable

		2022			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		16,142	43,946	(40,160)	19,928
Staff welfare		–	2,698	(2,624)	74
Social security contributions		162	3,336	(3,276)	222
Including: Medical insurance		159	3,194	(3,134)	219
Maternity insurance		2	63	(63)	2
Work injury insurance		1	79	(79)	1
Housing funds		18	4,200	(4,193)	25
Labour union funds and employee education funds		1,353	1,089	(1,161)	1,281
Defined contribution benefits		758	7,680	(7,769)	669
Including: Basic pensions		118	5,049	(5,051)	116
Unemployment insurance		5	89	(89)	5
Annuity scheme		635	2,542	(2,629)	548
Supplementary retirement benefits and early retirement benefits	(i)	638	55	(32)	661
Others		–	39	(39)	–
Total		19,071	63,043	(59,254)	22,860

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

		2021			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		12,697	41,735	(38,290)	16,142
Staff welfare		–	2,519	(2,519)	–
Social security contributions		133	3,015	(2,986)	162
Including: Medical insurance		124	2,874	(2,839)	159
Maternity insurance		8	70	(76)	2
Work injury insurance		1	71	(71)	1
Housing funds		14	3,878	(3,874)	18
Labour union funds and employee education funds		1,495	1,018	(1,160)	1,353
Defined contribution benefits		640	7,132	(7,014)	758
Including: Basic pensions		103	4,703	(4,688)	118
Unemployment insurance		5	129	(129)	5
Annuity scheme		532	2,300	(2,197)	635
Supplementary retirement benefits and early retirement benefits	(i)	636	34	(32)	638
Others		–	27	(27)	–
Total		15,615	59,358	(55,902)	19,071

(i) Supplementary retirement benefits and early retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognized in the consolidated statement of financial position using the projected unit credit method as follows:

	2022	2021
Balance at the beginning of year	638	636
Interest expenses	20	22
Gain or loss from actuarial calculation	35	12
– Charge/(Credit) to profit or loss	38	(1)
– (Credit)/Charge to other comprehensive income	(3)	13
Benefits paid	(32)	(32)
Balance at the end of year	661	638

(All amounts in millions of RMB unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

(i) Supplementary retirement benefits and early retirement benefits (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at December 31, 2022	As at December 31, 2021
Discount rate used for retirement benefit plan	3.00%	3.50%
Discount rate used for early retirement benefit plan	2.50%	2.75%
Annual growth rates of average medical expenses	8.00%	8.00%
Annual growth rates of retiree expenses	3% and 0%	3% and 0%
Annual growth rates of early-retiree expenses	6%, 3% and 0%	6%, 3% and 0%
Normal retirement age		
– Male	60	60
– Female	55, 50	55, 50

As at December 31, 2022 and 2021, the future mortality rate assumption was based on the China Life Insurance Mortality Table (2010-2013) issued on December 28, 2016, which was the statistical information publicly available in China.

(2) Provisions

		January 1, 2022	Current year reversal	Current year payment	December 31, 2022
ECL provisions on guarantee and commitments	(i)	8,171	(1,538)	–	6,633
Litigation and others	(ii)	7,083	–	(52)	7,031
Total		15,254	(1,538)	(52)	13,664

		January 1, 2021	Current year accrual	Current year payment	December 31, 2021
ECL provisions on guarantee and commitments	(i)	4,438	3,733	–	8,171
Litigation and others	(ii)	7,060	49	(26)	7,083
Total		11,498	3,782	(26)	15,254

34 Other liabilities (continued)

(2) Provisions (continued)

(i) ECL provisions on guarantee and commitments

	As at December 31, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2022	6,604	28	1	6,633

	As at December 31, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2021	7,991	63	117	8,171

(ii) As at December 31, 2022 and 2021, the Group established accruals for unsettled litigations according to the best estimation for a variety of risk events and outflow of economic benefits.

(3) Lease liabilities

	As at December 31, 2022	As at December 31, 2021
Within 1 month	317	363
1 to 3 months	456	391
3 to 12 months	2,328	2,389
1 to 2 years	2,904	1,982
2 to 5 years	3,671	3,738
Over 5 years	1,409	1,277
Contractual undiscounted cash flows of lease liabilities	11,085	10,140
Carrying amount of lease liabilities	9,852	9,683

(All amounts in millions of RMB unless otherwise stated)

35 Share capital and other equity instruments

35.1 Share capital

	As at December 31, 2022		As at December 31, 2021	
	Number of shares (million shares)	Face value	Number of shares (million shares)	Face value
Domestically listed (A shares)	72,528	72,528	72,528	72,528
Listed overseas (H shares)	19,856	19,856	19,856	19,856
Total	92,384	92,384	92,384	92,384

A shares refer to ordinary shares that are subscribed and traded in RMB, and H shares are shares that are approved to be listed in Hong Kong and denominated in RMB, but subscribed and traded in Hong Kong dollars. All H shares and A shares issued by the Bank are ordinary shares with a face value of RMB1.00 per share and enjoy equal rights.

On December 23, 2011, in accordance with the Approval by the MOF on the *State-owned Equity Management Plan of Postal Savings Bank Co., Ltd. (Finance (2011) No. 181)*, China Post Group was the exclusive promoter of the Bank. 45 billion promoter's shares were established and paid-in capital of the Bank amounted to RMB45 billion. In December 2013 and December 2014, China Post Group increased the capital of the Bank by RMB2 billion and RMB10 billion respectively.

On December 8, 2015, in accordance with the Approval of the CBIRC on Capital Increase and the Introduction of Strategic Investors by the Postal Savings Bank of China, the CBIRC agreed the Bank's non-public offering of no more than 11,604 million shares to 10 institutional investors, including UBS Limited, China Life Insurance Company Ltd., China Telecommunications Corporation, Canada Pension Fund Investment Corporation, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., JPMorgan Bank China Investment Second Investment, Futun Management, International Finance Corporation, DBS Bank Co., Ltd. and Shenzhen Tencent Domain Calculator Network (hereinafter referred to as "Strategic Investors"). After the capital increase, the Bank's total shares increased to 68,604 million.

On September 28, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited. In the same year, the over-allotment option was exercised and the total shares of the Bank increased to 81,031 million.

Approved by the CBIRC through *the Initial Public Offering of A Shares by the Postal Savings Bank of China Co., Ltd and amendment of the Articles of Association (Yinbaojianfu [2019] No.565)*《中國銀保監會關於郵儲銀行首次公開發行 A 股股票並上市和修改公司章程的批覆》(銀保監覆[2019]565 號) and approved by the China Securities Regulatory Commission through *the Approval of Postal Savings Bank of China Co., Ltd.'s Initial Public Offering (CSRC License [2019] No. 1991)*《關於核准中國郵政儲蓄銀行股份有限公司首次公開發行股票的批覆》(證監許可[2019]1991 號文). The Bank completed the initial public offering of 5,172 million A shares (excluding over-allotment) in December 2019. The face value of A shares was RMB1.00 per share, and the issue price was RMB5.50 per share. The net proceeds raised were RMB28,001 million, of which the share capital was RMB5,172 million and the capital reserve was RMB22,829 million. After initial public offering of A shares, the total shares of the Bank increased to 86,203 million.

35 Share capital and other equity instruments (continued)

35.1 Share capital (continued)

The joint lead underwriters exercised the over-allotment option in January 2020. The over-allotment issued 776 million A shares at a face value of RMB1.00 and the issue price was RMB5.50 per share. The net proceeds raised were RMB4,205 million, of which the share capital was RMB776 million and the capital reserve was RMB3,429 million. After execution of the over-allotment, the total shares of the Bank increased to 86,979 million.

The Bank completed the private offering of 5,405 million of A shares in March 2021 to its controlling shareholders. The face value of A shares was RMB1.00, and the issue price was RMB5.55 per share. The net proceeds raised were RMB29,985 million, of which the share capital was RMB5,405 million and capital reserve was of RMB24,580 million. After the private offering of A shares, the total shares of the Bank increased to 92,384 million.

As at December 31, 2022 the total number of ordinary shares of the Bank was 92,384 million of which 61,253 million shares were restricted for sales and 31,131 million shares were unrestricted shares (As at December 31, 2021: 61,253 million shares were restricted and 31,131 million shares were unrestricted).

35.2 Other equity instruments

(1) Preference shares redemption

	1 January 2022			Movement during the year			31 December 2022		
Financial instrument outstanding	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Offshore Preference Shares:									
USD	362.50	7,250	47,989	(362.50)	(7,250)	(47,989)	–	–	–
Less: Issuance costs			120			(120)			–
Total			47,869			(47,869)			–

On September 27, 2022, the Bank redeemed the USD7,250 million noncumulative perpetual offshore preference shares in whole in accordance with the terms and conditions of offshore preference shares and the reply of the CBIRC *(the Letter of the General Office of the China Banking and Insurance Regulatory Commission on the Opinion on the Redemption of Overseas Preferred Shares (CBIRC Memorandum [2022] No.640)* 《中國銀保監會辦公廳關於贖回境外優先股意見的函》(銀保監辦便函[2022]640號)). The redemption price of each offshore preference share is equal to the liquidation preference amount of each offshore preference share plus the dividend per share declared but not yet distributed during the period from the immediately preceding dividend payment date (inclusive) to the Redemption Date (exclusive).

(All amounts in millions of RMB unless otherwise stated)

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(2) Perpetual bonds outstanding as at the end of the year

Outstanding financial instruments	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Currency	Amount (million)	Maturity date	Redemption/ impairment
Undated additional tier 1 capital bonds	March 16, 2020	Equity instrument	3.69%	100	800	RMB	80,000	No maturity date	No
Undated additional tier 1 capital bonds	March 19, 2021	Equity instrument	4.42%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	January 14, 2022	Equity instrument	3.46%	100	300	RMB	30,000	No maturity date	No
Total proceeds raised							140,000		

The carrying amount of perpetual bonds issued by the Bank, net of related issuance fees, was RMB139,986 million as at 31 December 2022 (31 December 2021: RMB109,986 million).

The key terms are set out below:

(a) Conditional redemption rights

From the fifth anniversary since the issuance of the undated additional tier 1 capital bonds (the "Bonds"), the Bank may redeem full or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). After the issuance, if the event that 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 Bank may redeem the full but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (1) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements of the CBIRC.

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(2) Perpetual bonds outstanding as at the end of the year (continued)

(b) Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable to the subordination, such relevant laws and regulations shall prevail.

(c) Write-down/write-off clauses

Upon the occurrence of a non-viability trigger event, the Bank has the right to write down/write off in full or in part, without the need for consent from the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical trigger event. A non-viability trigger event refers to the earlier of the following events: (1) the CBIRC having decided that the Bank would become non-viable without a write-down/write-off; (2) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

The trigger event occurrence date refers to the date on which the CBIRC or the relevant authority has decided a trigger event occurs, and has informed the Bank together with a public announcement of such trigger event.

Within two business days after the occurrence of the trigger event, the Bank shall make a public announcement and give notice to the holders of the Bonds on the amount, the calculation method thereof, together with the implementation date and procedures, of such write-down/write-off.

(d) 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 made at a prescribed fixed distribution rate. The distribution rate at the time of issuance will be determined by bookkeeping and centralized allocation. The distribution rate is determined by a benchmark rate plus a fixed spread.

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(2) Perpetual bonds outstanding as at the end of the year (continued)

(e) Distribution payment

The Bank shall have the right to cancel, in full or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds regardless in full or in part, will not impose any restrictions on the Bank, except in relation to dividend distributions on ordinary shares. Any cancellation of distributions on the Bonds regardless in full or in part, will require the deliberation by and approval from the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the event a distribution cancellation of the Bonds, regardless in full or in part, the Bank shall not make any distribution to the ordinary shareholders from the next date following the resolution being approved in the general shareholders meeting, until its decision to resume the distribution payments in full to the holders of the Bonds. The dividend stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

Distributions on the Bonds shall only be paid out of distributable items, and will not be affected by the rating of the Bank, nor reset based on any change to such rating. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The Bonds do not have any step-up mechanism or any other incentive to redeem.

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(3) Changes in outstanding perpetual bonds

Outstanding financial Instruments	January 1, 2022 Units of the Bonds (million)	January 1, 2022 Total Proceeds Raised (RMB million)	Increase in current year Units of the Bonds (million)	Increase in current year Total Proceeds Raised (RMB million)	December 31, 2022 Units of the Bonds (million)	December 31, 2022 Total Proceeds Raised (RMB million)
Undated additional tier 1 capital bonds	1,100	110,000	300	30,000	1,400	140,000

(4) Equity attributable to the holders of equity instruments

Items	As at December 31, 2022	As at December 31, 2021
1. Total equity attributable to equity holders of the Bank	824,225	794,091
(1) Equity attributable to ordinary shareholders of the Bank	684,239	636,236
(2) Equity attributable to other equity holders of the Bank	139,986	157,855
Including: Net profit	6,708	5,276
Dividends/interests distributed	(6,708)	(5,276)
2. Total equity attributable to non-controlling interests	1,589	1,458
(1) Equity attributable to non-controlling interests of ordinary shares	1,589	1,458
(2) Equity attributable to non-controlling interests of other equity instruments	–	–

36 Capital reserve

	As at December 31, 2022	As at December 31, 2021
Net asset revaluation appreciation from the Bank's joint stock restructuring	3,448	3,448
Share premium arising from strategic investors	33,536	33,536
Share premium arising from the Bank's initial public offering of H shares	37,675	37,675
Change of equity interest in a subsidiary	(11)	(11)
Share premium arising from the Bank's initial public offering of A shares	26,258	26,258
Share premium arising from the Bank's private offering of A shares (Note 35.1)	24,580	24,580
Other capital reserve	(1,007)	–
Total	124,479	125,486

(All amounts in millions of RMB unless otherwise stated)

37 Other reserves

37.1 Surplus reserve

	2022	2021
At the beginning of year	50,105	42,688
Appropriations in current year	8,373	7,417
At the end of year	58,478	50,105

In accordance with *The Company Law of the People's Republic of China* (中華人民共和國公司法), and the Bank's Articles of Association, the Bank shall appropriate 10% of its net profit under Accounting Standards for Business Enterprises and relevant requirements for the current year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital of the Bank.

37.2 General reserve

	2022	2021
At the beginning of year	157,367	130,071
Appropriations in current year	21,417	27,296
At the end of year	178,784	157,367

In accordance with *the Administrative Measures for Provisioning of Financial Enterprises* (金融企業準備金計提管理辦法) (Cai Jin[2012]No.20) issued by the MOF, the Bank shall appropriate general reserve from its net profit for the purpose to recover any unidentified potential losses. The balance of general reserve shall be no less than 1.5% of risk assets at the end of each year.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries also appropriate a certain amount of net profit as general reserve.

37 Other reserves (continued)

37.3 Other comprehensive income

(1) Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position

	Net gains/(losses) on investments in financial assets measured at FVTOCI	Remeasurement of retirement benefit obligations	Total
January 1, 2021	3,001	(276)	2,725
Movement during the year	9,342	(13)	9,329
December 31, 2021 and January 1, 2022	12,343	(289)	12,054
Movement during the year	(7,139)	3	(7,136)
December 31, 2022	5,204	(286)	4,918

(2) Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income

	Year ended December 31	
	2022	2021
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVTOCI	(3,146)	6,251
Less: Income tax effect	(787)	1,563
Remeasurement of retirement benefit obligations	3	(13)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVTOCI	(3,111)	3,987
Less: Amount transferred to profit or loss from other comprehensive income	250	416
Income tax effect	(840)	893
Credit losses of debt instruments measured at FVTOCI	(1,740)	2,760
Less: Amount transferred to profit or loss from other comprehensive income	624	125
Income tax effect	(591)	659
Net amount	(6,650)	9,329

38 Dividends and interests distribution

Upon the approval obtained in the 2021 Annual General Meeting, the Bank distributed RMB22,856 million (tax inclusive) of cash dividends for the year ended December 31, 2021 to all the ordinary shareholders whose names appeared on the register with RMB2.474 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 12, 2022 and the H shares cash dividends on August 10, 2022 respectively.

Upon the approval obtained in the 2020 Annual General Meeting, the Bank distributed RMB19,262 million (tax inclusive) of cash dividends for the year ended December 31, 2020 to all the ordinary shareholders whose names appeared on the register with RMB2.085 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 22, 2021 and the H shares cash dividends on August 5, 2021 respectively.

In the Board of Directors' meeting held in May 2022, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,430 million (tax inclusive). The Bank distributed the cash dividends on September 27, 2022.

In the Board of Directors' meeting held in May 2021, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,324 million (tax inclusive). The Bank distributed the cash dividends on September 27, 2021.

In March 2022, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021, respectively. The interest rates equalled to 3.69% and 4.42%, respectively, which were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

In March 2021, the Bank paid RMB2,952 million interests to perpetual bonds holders issued in the year 2020. The interest rate equalled to 3.69%, which was calculated by the initial interest rate before the first reset date which was determined in accordance with the terms and conditions of the perpetual bonds.

39 Cash and cash equivalents

For the purpose of presentation of the consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	As at December 31, 2022	As at December 31, 2021
Cash	50,149	48,545
Surplus reserve with central bank	17,672	17,027
Deposits with banks and other financial institutions	9,756	9,008
Placements with banks and other financial institutions	25,223	43,732
Financial assets held under resale agreements	131,726	193,502
Short-term debt securities	5,454	1,950
Total	239,980	313,764

40 Relationship and transactions with related parties

40.1 Information of the parent company

	Place of registration	Nature of business
China Post Group	Beijing, PRC	Domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with laws and regulations, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the government.

China Post Group is managed and supervised by the MOF on behalf of the State Council.

As at December 31, 2022 and 2021, the registered capital of China Post Group were RMB137,600 million.

As at December 31, 2022, China Post Group directly held 67.39% of both the equity shares and voting rights in the Bank (As at December 31, 2021: 67.38%).

40 Relationship and transactions with related parties (continued)

40.2 Information of major related parties

Name of enterprise	Relationship with the Bank
Shanghai International Port (Group) Co., Ltd.	Major shareholder of the Bank
China State Shipbuilding Corporation Limited	Major shareholder of the Bank
China Postal Express & Logistics Co., Ltd.	Company under the common control of China Post Group
China Post Life Insurance Co., Ltd.	Company under the common control of China Post Group
China Post Securities Co., Ltd.	Company under the common control of China Post Group
Shanghai Ule Network Technology Co., Ltd.	Company under the common control of China Post Group
China Post Technology Co., Ltd.	Company under the common control of China Post Group
Ningxia China Post Logistics Co., Ltd.	Company under the common control of China Post Group
Jiangsu Post and Telecommunication Printing Co., Ltd.	Company under the common control of China Post Group
China Post & Capital Fund Management Co., Ltd.	An associate of China Post Group
Mulei Tongyuan Hongshen New Energy Development Co., Ltd.	Related party arising from the major shareholder of the Bank
CSSC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd.	Related party arising from the major shareholder of the Bank
China National Shipbuilding Equipment & Materials (South China) Company Limited	Related party arising from the major shareholder of the Bank
Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd.	Related party arising from the major shareholder of the Bank
China UnionPay Co., Ltd.	Related party arising from connected persons of the Bank

The Group's connected person include the Bank's directors, supervisors, senior executives and their direct relatives, as well as the Bank's controlling shareholders' directors, supervisors, senior executives and their direct relatives and other connected persons. The Group's other related parties include other related parties of China Post Group, other related parties of major shareholders of the Bank and other related parties arising from connected persons.

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions

For transactions between the Group and related parties in accordance with general commercial terms during normal business operations, the pricing principle is the same as that of independent third party transactions. For transactions other than normal banking business between the Group and related parties, the pricing principle shall be determined by both parties through negotiation in accordance with general commercial terms.

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates

(1) Agency banking services from China Post Group

In addition to conducting commercial banking services at its owned business locations, the Bank also engages China Post Group and its provincial branches as agents to provide certain commercial banking services at China Post Group's business locations where financial service licenses have been obtained. These commercial banking services mainly include: deposits taking; bank card (debit card) services, credit cards repayment processing services; electronic banking business, agency issuance, underwriting and redemption of government bonds; certification of personal deposits; agency sales of fund products and personal wealth management products, and other agency services.

In accordance with *the Interim Administrative Measures for Institutional Agency of Postal Savings Bank of China Co., Ltd* (中國郵政儲蓄銀行代理營業機構管理暫行辦法) issued by the CBIRC, all agency operations were provided by China Post Group under bases of fees determined in accordance with *the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets* (代理營業機構委託代理銀行業務框架協定, the "Framework Agreement") entered into between the Bank and China Post Group and its provincial branches.

For RMB deposit-taking services, the basis is computed based on the principle of "Fixed Rate, Scaled Fees Based on Deposit Types (固定費率、分檔計費)", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The formula of calculating the scaled fees is as follows:

Monthly deposit agency fee costs at the relevant branch =Σ(aggregate amount of deposit for each type of deposit at the branch for the month multiplied by the number of days of deposit × the respective deposit agency fee rate of the relevant type of deposit/365) - aggregate cash (including that in transit) multiplied by the number of days at the relevant branch for the month × 1.5%/365.

(All amounts in millions of RMB unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(1) Agency banking services from China Post Group (continued)

The Bank pays deposit agency fee for agency RMB savings deposits received, net of cash reserves held by agency outlets and deposits in transit. During the period ended October 31, 2022 and the year ended December 31, 2021, the agency fee rates range from 0.20% to 2.30%. As of November 1, 2022, the agency fee rates range from 0.00% to 2.33%.

To effectively manage the interest expenses and maintain a stable growth in deposit scale, the Bank has established relevant mechanisms to boost the deposit-taking, including the arrangements of cost sharing for floating interest rates of deposits as well as incentives for deposit-taking. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances.

The agency foreign currency deposit-taking business is insignificant, as such the Bank and China Post Group apply market rates such as the composite interest rate of the China Interbank Foreign Currency Market to determine the agency fee.

For intermediary business services performed by agency outlets such as settlement and sales services, the agency fees are determined based on the income from agency services net of all direct taxes and expenses.

		2022	2021
Deposit agency fee and others	(i)	102,248	89,182
Fees for agency savings settlement		6,885	7,935
Fees for agency sales and other commissions	(ii)	11,300	9,304
Total		120,433	106,421

(i) For the year ended December 31, 2022, deposit agency fee (including RMB and foreign currency deposit-taking business) cost amounted to RMB104.78 billion (2021: RMB93.38 billion). The offsetting settlement amount of the Bank's relevant mechanisms to boost deposit-taking was RMB -2.53 billion (2021: RMB -4.20 billion). According to the netting arrangement between the Bank and China Post Group, deposit agency fee and other are settled and disclosed on a net basis.

(ii) Fees for agency sales and other commissions include agency income generated from sales of insurance products of China Post Life Insurance Co., Ltd. by agency outlets. The Bank firstly recognizes relevant fee and commission income (Note 6) in the consolidated statement of profit or loss and other comprehensive income, and the same amount of the fee and commission will be payable by the Bank to China Post Group following the principle of "fee payable to the entity providing the service（誰辦理誰受益）". The remaining agency income generated from sales for other insurance companies are settled with the Bank or directly with China Post Group according to the contract.

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(2) Operating lease with China Post Group and its related parties

(a) Lease buildings, ancillary equipment and other properties

As lessor	2022	2021
Buildings and other	74	80

As lessee	2022	2021
Buildings and other	957	1,010

(b) Right-of-use assets and lease liabilities recognized by accepting leases provided by China Post Group and its subsidiaries

	As at December 31, 2022	As at December 31, 2021
Right-of-use assets	1,045	1,029
Lease liabilities	1,011	989

(3) Other comprehensive services and transactions with China Post Group and its related parties

(a) Revenue from rendering other comprehensive services to China Post Group and its related parties

		2022	2021
Agency sales of insurance products	(i)	1,774	811
General office materials sold		59	87
Agency sales of precious metals		22	17
Comprehensive services rendered	(ii)	109	114
Total		1,964	1,029

(i) Agency sales of insurance products are income generated from agency service for China Post Life Insurance Co., Ltd. by directly-operated outlets of the Bank.

(ii) Comprehensive services rendered to China Post Group and its related parties include custody business, cash escort, equipment maintenance and other services.

(All amounts in millions of RMB unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(3) Other comprehensive services and transactions with China Post Group and its related parties (continued)

(b) Expenditure from receiving other comprehensive services from China Post Group and its related parties

		2022	2021
Comprehensive services received	(i)	1,061	995
Marketing services received		817	728
Goods purchased		546	599
Philatelic items purchased and mailing services received		143	166
Payment of precious metals		145	221
Total		2,712	2,709

(i) Comprehensive services received from China Post Group and its related parties include cash escort, equipment maintenance, advertisement, real estate management, training and other services.

(4) Other transactions with China Post Group and its related parties

Balances		As at December 31, 2022	As at December 31, 2021
Assets			
Loans and advances to customers	(i)	2	3
Financial assets measured at FVTPL	(ii)	8,132	4,015
Financial assets measured at FVTOCI-debt instruments	(iii)	1,318	2,039
Financial assets measured at amortized cost	(iii)	189	346
Other assets		310	218

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties (continued)

Balances		As at December 31, 2022	As at December 31, 2021
Liabilities			
Deposits from banks and other financial institutions	(i)	2,455	1,799
Customer deposits	(iv)	6,381	10,475
Other liabilities (Note 34)		2,284	1,999

Transactions	2022	2021
Interest income	75	156
Interest expense	207	218
Fee and commission income	83	57
Fee and commission expense	8	4
Operating expenses	10	21

(i) As at December 31, 2022 and 2021, loans and advances to customers and deposits from banks and other financial institutions were mainly with companies under the common control of China Post Group.

(ii) As at December 31, 2022 and 2021, financial assets measured at FVTPL were mainly with China Post & Capital Fund Management Co., Ltd.

(iii) As at December 31, 2022, financial assets measured at amortized cost were mainly with China Post Securities Co., Ltd., debt instruments measured at FVTOCI were mainly with China Post Group and China Post Securities Co., Ltd. (As at December 31, 2021, financial assets measured at amortized cost and debt instruments measured at FVTOCI were mainly with China Post Group and China Post Securities Co., Ltd.).

(iv) As at December 31, 2022, RMB3,531 million of customer deposits were mainly with China Post Group (As at December 31, 2021: RMB7,157 million) while RMB2,850 million of customer deposits were mainly with associate and companies under the common control of China Post Group (As at December 31, 2021: RMB3,318 million). The interest rates of such customer deposits range from 0.25% to 2.75% as at December 31, 2022 (As at December 31, 2021: 0.30% to 2.75%).

(All amounts in millions of RMB unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.2 Transactions with major shareholders of the Bank and their related parties

Balances	As at December 31, 2022	As at December 31, 2021
Assets		
Loans and advances to customers	1,108	968
Liabilities		
Customer deposits	85	62
Other liabilities	1	1

Transactions	2022	2021
Interest income	29	33
Operating expenses	1	–

As at December 31, 2022, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd. and Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd. As at December 31, 2021, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd., CSSC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd. (formerly referred to as: "CSIC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd.") and China National Shipbuilding Equipment & Materials (South China) Company Limited.

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.3 Transactions with related parties arising from the connected persons of the Bank

Balances		As at December 31, 2022	As at December 31, 2021
Assets			
Loans and advances to customers	(1)	–	4
Financial assets measured at fair value through other comprehensive income-equity instruments	(2)	451	397
Other assets		31	23
Liabilities			
Customer deposits	(3)	4,620	4,714
Other liabilities		10	8

Transactions		2022	2021
Interest expense		126	119
Fee and commission income	(4)	4,628	4,449
Fee and commission expense	(4)	1,185	1,276
Net gains on investment securities		14	–
Operating expenses		57	–

(1) As at December 31, 2022, there was no loans and advances to customers. As at December 31, 2021, loans and advances to customers were mainly with Baotou City Strong and Light Plate Industry Co., Ltd. and Tianjin Zhongwang Communication Engineering Supervision Co., Ltd.

(2) As at December 31, 2022 and 2021, financial assets measured at fair value through other comprehensive income-equity instruments were mainly with China UnionPay Co., Ltd.

(3) As at December 31, 2022 and 2021, customer deposits were mainly with China UnionPay Co., Ltd.

(4) The net fee and commission income was mainly arising from the settlement and clearing with China UnionPay Co., Ltd. both during the year ended December 31, 2022 and 2021.

(All amounts in millions of RMB unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.4 Transactions with connected persons of the Bank

Balances	As at December 31, 2022	As at December 31, 2021
Assets		
Loans and advances to customers	94	121
Liabilities		
Customer deposits	174	276

Transactions	2022	2021
Interest income	3	5
Interest expense	2	3

40.3.5 The Group and other government related entities

Other than related party transactions disclosed above and also in other relevant notes, a significant part of the Group's banking transactions are entered into with government authorities, agencies, subsidiaries and other entities under control of state. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative product transactions, agency services, underwriting and distribution of bonds issued by government authorities, purchase, sales and redemption of securities issued by government authorities.

The Group considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, subsidiaries and other entities under control of state.

40 Relationship and transactions with related parties (continued)

40.4 Key management personnel compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

	2022	2021
Key management personnel compensation	10	23

Part of the remuneration for key management personnel in 2022 will be subject to strategic performance assessment after the reporting date and has not yet been paid; and the remuneration for key management personnel in 2021 is the remuneration after assessment.

41 Structured entities

41.1 Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP vehicles") formed to issue and distribute wealth management products ("non-principal guaranteed WMPs") which are not subject to any guarantee by the Group in respect of the principal invested or yield to be paid. The WMP vehicles invest in a range of fixed-yield assets, including money market instruments, debt securities and loan assets. As the manager of the WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment scheme related to each WMP and distributes the yield to investors based on product operation. The variable return earned by the Group under the non-principal guaranteed WMPs is not significant, and therefore, these WMPs are not consolidated by the Group.

As at December 31, 2022 and 2021, the non-principal guaranteed WMPs issued and managed by the Group amounted to RMB830,062 million and RMB915,255 million, respectively. The net fee and commission income from such activities was disclosed in Note 6.

As at December 31, 2022, the Group hold RMB199 million of non-principal guaranteed WMP issued and managed by the Group (As at December 31, 2021: Nil).

As at December 31, 2022, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB17,482 million (As at December 31, 2021: Nil). The above transactions were conducted in accordance with normal business terms and conditions.

(All amounts in millions of RMB unless otherwise stated)

41 Structured entities (continued)

41.2 Unconsolidated structured entities invested by the Group

The Group invests in unconsolidated structured entities issued and managed by other institutions, and records interest income, net trading gains and net gains on investment securities therefrom. These structured entities mainly comprise fund investments, trust investment plans, asset management plans, asset-backed securities and other debt instruments, etc. The nature and purpose of the structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors.

As at December 31, 2022 and 2021, the Group's maximum exposure to these unconsolidated structured entities was summarized in the table below:

	As at December 31, 2022		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	616,591	–	616,591
Trust investment plans and asset management plans	54,191	–	54,191
Asset-backed securities	52	147,816	147,868
Other debt instruments	–	28,339	28,339
Total	670,834	176,155	846,989

	As at December 31, 2021		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	441,238	–	441,238
Trust investment plans and asset management plans	57,541	–	57,541
Asset-backed securities	45	142,791	142,836
Other debt instruments	–	31,927	31,927
Total	498,824	174,718	673,542

41 Structured entities (continued)

41.2 Unconsolidated structured entities invested by the Group (continued)

No open market information was readily available for the overall scale of those unconsolidated structured entities mentioned above.

For the year ended December 31, 2022 and 2021, the income from these unconsolidated structured entities earned by the Group was as follows:

	2022	2021
Interest income	6,818	7,860
Net gains on investment securities	19,404	19,249
Net trading gains	1	1
Net gains on derecognition of financial assets measured at amortized cost	–	18
Total	26,223	27,128

41.3 Consolidated structured entities held by the Group

The consolidated structured entities issued and managed by the Group consist of special purpose trusts founded by third party trust companies for conducting asset securitization business by the Group. For the year ended December 31, 2022 and 2021, the Group did not provide any financial support to these special purpose trusts.

42 Contingent liabilities and commitments

42.1 Capital commitments

	As at December 31, 2022	As at December 31, 2021
Contracts signed but not executed	4,031	5,395

The Group's capital commitments are contracts signed but not executed, which mainly include purchase of property and equipment, and decoration projects.

(All amounts in millions of RMB unless otherwise stated)

42 Contingent liabilities and commitments (continued)

42.2 Collateral

Assets pledged as collaterals

The carrying amounts of assets pledged as collaterals under repurchase agreements are as follows:

	As at December 31, 2022	As at December 31, 2021
Debt securities	159,816	9,781
Bills	29,418	25,463
Total	189,234	35,244

In addition, due to other business needs, some of the debt securities held by the Group were pledged as collaterals. As at December 31, 2022, the carrying amount of debt securities pledged as collaterals amounted to RMB103,396 million (December 31, 2021: RMB86,901 million).

Collaterals received

Collaterals under loans and advances to customers mainly include land use rights and buildings. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts. As at December 31, 2022, the Group's exposure to credit-impaired loans and advances to customers covered by corresponding collateral was RMB31,269 million (December 31, 2021: RMB29,402 million).

Collaterals under certain deposits with banks mainly include bonds issued by Chinese government or policy banks. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts.

Financial assets held under resale agreements are mainly collateralized by debt securities and bills. As part of certain resale agreements, the Group obtains debt securities or bills from counterparts which could be resold or re-pledged as collaterals during the business operation of financial assets held under resale agreements from banks. As at December 31, 2022, the Group did not obtain debt securities as collaterals from counterparts under the business (December 31, 2021: RMB1,048 million). The principal amount of the bills accepted by the Group that can be resold or re-pledged was RMB42,024 million (December 31, 2021: RMB9,151 million).

42 Contingent liabilities and commitments (continued)

42.3 Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of the treasury bonds have the right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity or regular settlement. The redemption price is the face value of the treasury bonds underwritten and sold plus unpaid interest in accordance with the terms of the early redemption arrangement.

As at December 31, 2022, the nominal value of treasury bonds the Group was obligated to redeem was RMB119,616 million (December 31, 2021: RMB125,676 million). The original maturities of these bonds range from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

42.4 Lawsuits and claims

The Group was involved in a number of lawsuits and claims during its normal course of business. Provisions for losses from cases and lawsuits are disclosed in Note 34(2).

42.5 Credit risk-weighted amounts for financial guarantees and credit commitments

	As at December 31, 2022	As at December 31, 2021
Financial guarantees and credit commitments	207,332	205,696

The credit risk-weighted figures are amounts calculated in accordance with the CBIRC's guidance, and also based on positions of the counterparties and the specifics of remaining maturities.

(All amounts in millions of RMB unless otherwise stated)

42 Contingent liabilities and commitments (continued)

42.6 Credit commitments

	As at December 31, 2022	As at December 31, 2021
Loan commitments		
– With an original maturity of less than 1 year	1,998	202
– With an original maturity of 1 year or above	89,595	152,421
Subtotal	91,593	152,623
Bank acceptances	95,218	36,158
Guarantees and letters of guarantee	56,229	42,859
Letters of credit	65,535	32,209
Unused credit card commitments	390,287	367,441
Total	698,862	631,290

Credit commitments of the Group mainly include unused limits for credit cards issued to customers and general credit facilities. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantees and letters of guarantee or bank acceptances.

As at December 31, 2022 and 2021, the credit risk exposure of the credit commitments was mainly in Stage 1.

43 Transfers of financial assets

The Group enters into transactions during the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

43.1 Outright repurchase agreements

The Group has entered into the following repurchase agreements, and the recourse rights of the counterparties are not limited to the transferred assets. The Group does not derecognize financial assets transferred as collateral in connection with repurchase agreements.

	As at December 31, 2022 Financial assets measured at amortized cost	As at December 31, 2021 Financial assets measured at amortized cost
Carrying amount of the collateral	–	307
Financial assets sold under repurchase agreements	–	(300)

43.2 Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at December 31, 2022, the carrying amount of debt securities lent to counterparties was RMB44,180 million (as at December 31, 2021: RMB20,265 million).

43 Transfers of financial assets (continued)

43.3 Credit assets securitization transactions

The Group enters into securitization transactions during the normal course of business by which it transfers credit assets to special purpose trusts which in turn issues asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the senior and subordinated tranche level. Accordingly, the Group may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets.

With respect to the credit assets that are securitized and qualified for derecognition, the Group derecognizes the transferred credit assets in their entirety. For the year ended December 31, 2022, the face value at the date of transfer of the original credit assets was RMB6,866 million (2021: RMB4,033 million). As the Bank substantially transferred all the risks and rewards of these credit assets, the full amount of such securitized credit assets were derecognized.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognizes an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended December 31, 2022, the face value at the date of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring the subordinated tranches, was RMB3,346 million (2021: RMB10,294 million). The carrying amount of the continuing involvement assets and the corresponding continuing involvement liabilities, which were recognized in other assets and other liabilities in the consolidated statement of financial position, were both RMB4,450 million as at December 31, 2022 (December 31, 2021: RMB4,070 million). The Group acts as a credit service provider of the special purpose trusts, manages the credit assets transferred to the special purpose trusts, and collects the corresponding fee as the loan asset manager. For the year ended December 31, 2022 and 2021, the Group did not provide any financial support to these special purpose trusts.

44 Segment analysis

44.1 Operating segment

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main operating segments listed below:

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include savings deposit-taking, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds, insurance agency services, etc.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include current account settlement, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products, etc.

Treasury

This segment covers businesses including deposits and placements with banks and other financial institutions, interbank borrowings and lendings, repurchase and resale transactions, various debt instrument investments and equity instrument investment, etc. The issuance of bond securities also falls into this segment.

Others

This segment includes items that are not attributed to the above segments or cannot be allocated on a reasonable basis.

The management of the Group monitors operating results of each segment for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies when preparing segment financial information.

(All amounts in millions of RMB unless otherwise stated)

44 Segment analysis (continued)

44.1 Operating segment (continued)

	Year ended December 31, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	210,498	106,394	157,348	–	474,240
Interest expense to external customers	(174,472)	(18,189)	(7,986)	–	(200,647)
Intersegment net interest income/(expense)	178,482	(40,564)	(137,918)	–	–
Net interest income	214,508	47,641	11,444	–	273,593
Net fee and commission income	19,320	1,935	7,179	–	28,434
Net trading gains	–	–	3,673	–	3,673
Net gains on investment securities	–	–	21,559	–	21,559
Net gains on derecognition of financial assets measured at amortized cost	–	–	920	–	920
Net other operating gains	1,592	552	4,445	620	7,209
Share of results of associates	–	–	–	3	3
Operating expenses	(165,518)	(23,380)	(19,427)	(355)	(208,680)
Credit impairment losses	(38,368)	1,355	1,685	–	(35,328)
Impairment losses on other assets	(19)	–	–	–	(19)
Profit before income tax	31,515	28,103	31,478	268	91,364
Supplementary information					
Depreciation and amortization	9,107	1,954	239	–	11,300
Capital expenditures	10,083	2,187	132	–	12,402

	As at December 31, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,424,365	3,369,946	6,208,363	653	14,003,327
Deferred tax assets					63,955
Total assets					14,067,282
Segment liabilities	(11,368,137)	(1,450,284)	(423,036)	–	(13,241,457)
Deferred tax liabilities					(11)
Total liabilities					(13,241,468)
Supplementary information					
Credit commitments	390,287	308,575	–	–	698,862

44 Segment analysis (continued)

44.1 Operating segment (continued)

	Year ended December 31, 2021				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	195,163	102,544	153,860	–	451,567
Interest expense to external customers	(160,320)	(14,898)	(6,967)	–	(182,185)
Intersegment net interest income/(expense)	169,863	(30,048)	(139,815)	–	–
Net interest income	204,706	57,598	7,078	–	269,382
Net fee and commission income	16,129	1,400	4,478	–	22,007
Net trading gains	–	–	3,286	–	3,286
Net gains on investment securities	–	–	23,081	–	23,081
Net gains on derecognition of financial assets measured at amortized cost	–	–	606	–	606
Net other operating gains	1,048	107	(823)	413	745
Operating expenses	(152,807)	(20,123)	(17,640)	(425)	(190,995)
Credit impairment losses	(23,424)	(9,750)	(13,464)	–	(46,638)
Impairment losses on other assets	(20)	–	–	–	(20)
Profit before income tax	45,632	29,232	6,602	(12)	81,454
Supplementary information					
Depreciation and amortization	7,379	1,466	192	–	9,037
Capital expenditures	11,421	2,283	149	–	13,853

	As at December 31, 2021				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,156,619	2,867,717	5,507,218	–	12,531,554
Deferred tax assets					56,319
Total assets					12,587,873
Segment liabilities	(10,137,672)	(1,326,313)	(328,328)	–	(11,792,313)
Deferred tax liabilities					(11)
Total liabilities					(11,792,324)
Supplementary information					
Credit commitments	367,441	263,849	–	–	631,290

44 Segment analysis (continued)

44.2 Geographical segment

Geographical segments are as follows:

– Head Office

– "Yangtze River Delta": Shanghai Municipality, Jiangsu Province, Zhejiang Province and Ningbo;

– "Pearl River Delta": Guangdong Province, Shenzhen, Fujian Province and Xiamen;

– "Bohai Rim": Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province and Qingdao;

– "Central China" region: Shanxi Province, Henan Province, Hubei Province, Hunan Province, Anhui Province, Jiangxi Province and Hainan Province;

– "Western China" region: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region;

– "Northeastern China" region: Liaoning Province, Heilongjiang Province, Jilin Province and Dalian.

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	Year ended December 31, 2022							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	171,990	60,928	45,257	44,624	79,910	55,528	16,003	474,240
Interest expense to external customers	(4,960)	(33,855)	(16,473)	(30,989)	(60,919)	(40,156)	(13,295)	(200,647)
Intersegment net interest (expense)/income	(190,406)	21,414	10,650	30,471	66,454	44,816	16,601	–
Net interest income	(23,376)	48,487	39,434	44,106	85,445	60,188	19,309	273,593
Net fee and commission income	2,988	3,643	4,370	5,572	5,934	4,498	1,429	28,434
Net trading gains	3,673	–	–	–	–	–	–	3,673
Net gains/(losses) on investment securities	20,110	538	164	245	404	134	(36)	21,559
Net gains on derecognition of financial assets measured at amortized cost	312	38	66	123	148	134	99	920
Net other operating gains	5,583	251	162	250	267	644	52	7,209
Share of results of associates	–	–	–	3	–	–	–	3
Operating expenses	(18,964)	(27,902)	(22,178)	(28,185)	(54,600)	(41,689)	(15,162)	(208,680)
Credit impairment losses	1,156	(7,256)	(8,621)	(3,143)	(8,893)	(6,664)	(1,907)	(35,328)
Impairment losses on other assets	–	–	–	–	(3)	(11)	(5)	(19)
Profit before income tax	(8,518)	17,799	13,397	18,971	28,702	17,234	3,779	91,364
Supplementary information								
Depreciation and amortization	2,962	1,453	1,055	1,489	1,802	1,913	626	11,300
Capital expenditures	3,834	1,354	1,207	1,931	2,439	1,339	298	12,402

	As at December 31, 2022								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	10,103,690	2,408,977	1,575,657	2,420,624	4,569,518	3,069,031	1,099,094	(11,243,264)	14,003,327
Deferred tax assets									63,955
Total assets									14,067,282
Segment liabilities	(9,450,421)	(2,388,890)	(1,560,747)	(2,393,121)	(4,544,397)	(3,051,838)	(1,096,072)	11,244,029	(13,241,457)
Deferred tax liabilities									(11)
Total liabilities									(13,241,468)
Supplementary information									
Credit commitments	390,287	74,625	56,510	77,356	41,699	52,088	6,297	–	698,862

(All amounts in millions of RMB unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	Year ended December 31, 2021							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	183,262	54,941	38,482	39,463	70,402	49,982	15,035	451,567
Interest expense to external customers	(14,990)	(28,099)	(14,243)	(26,024)	(51,834)	(34,938)	(12,057)	(182,185)
Intersegment net interest (expense)/income	(170,222)	17,809	10,943	27,312	58,830	40,523	14,805	–
Net interest income	(1,950)	44,651	35,182	40,751	77,398	55,567	17,783	269,382
Net fee and commission income	389	3,333	3,905	4,646	4,745	3,804	1,185	22,007
Net trading gains	3,283	1	–	1	1	–	–	3,286
Net gains on investment securities	21,925	387	133	158	295	115	68	23,081
Net gains on derecognition of financial assets measured at amortized cost	305	9	24	84	62	90	32	606
Net other operating gains	(860)	149	331	171	193	721	40	745
Operating expenses	(18,099)	(24,649)	(20,493)	(25,534)	(49,005)	(38,789)	(14,426)	(190,995)
Credit impairment losses	(12,088)	(6,592)	(5,937)	(4,393)	(8,641)	(7,202)	(1,785)	(46,638)
Impairment losses on other assets	–	–	–	(9)	(1)	(8)	(2)	(20)
Profit before income tax	(7,095)	17,289	13,145	15,875	25,047	14,298	2,895	81,454
Supplementary information								
Depreciation and amortization	1,172	1,318	1,011	1,394	1,636	1,874	632	9,037
Capital expenditures	4,220	1,126	652	4,347	1,535	1,444	529	13,853

	As at December 31, 2021								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	7,231,952	1,935,220	1,261,322	2,063,215	3,803,982	2,651,428	909,048	(7,324,613)	12,531,554
Deferred tax assets									56,319
Total assets									12,587,873
Segment liabilities	(6,605,154)	(1,917,144)	(1,245,103)	(2,037,294)	(3,776,717)	(2,628,676)	(906,838)	7,324,613	(11,792,313)
Deferred tax liabilities									(11)
Total liabilities									(11,792,324)
Supplementary information									
Credit commitments	367,441	47,251	59,895	65,856	35,679	46,521	8,647	–	631,290

45 Financial risk management

45.1 Overview

To ensure an appropriate level of risk-adjusted return and sufficient capital adequacy, the Group adheres to a prudent risk management strategy, and achieves a decent return through appropriate risk-taking with consideration of size, growth and quality of its businesses.

The Group is mainly exposed to credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk and exchange rate risk (including gold).

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

45.2 Framework of financial risk management

The Group's Board of Directors assumes the ultimate responsibilities for comprehensive risk management, which include establishing risk culture, formulating and approving risk management strategies, setting and approving risk appetites and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointment of Chief Risk Officer, and other duties related to risk management.

The Group's Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them for any rectifications.

The Group's senior management assumes the responsibilities for implementation of comprehensive risk management and carrying out decisions of the Board of Directors, which includes setting up the operation and management structure in line with comprehensive risk management framework, clarifying division of responsibilities among functional departments, business departments and other departments under comprehensive risk management framework, establishing coordination mechanism with effective balance of power across departments, formulating clear implementation and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetites and risk limits, setting up risk limits according to risk appetite determined by the Board of Directors, including but not limited to levels such as industry, region, customer, and product. The Group's senior management is also responsible for formulating risk management policies and procedures, regular assessments, with adjustments when necessary, and assessing conditions of comprehensive risks and various important risk management with reports to the Board of Directors. In addition, it is the Group's senior management's responsibility to establish sound management information system and data quality control mechanism, and oversee violation of risk appetite, risk limits, and risk management policies and procedures, and deal with them under authorization of the Board of Directors, and assume other responsibilities from risk management perspective.

45 Financial risk management (continued)

45.3 Credit risk

Credit risk refers to the risk of loss caused by the default or the deterioration of credit rating and repayment ability of the debtor or the counterparty.

The main sources of the Group's credit risk include: credit business, treasury business (including deposits and placements, resale agreement, debt securities issued by corporates and financial institutions, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

The organizational structure of the Group on credit risk management is as follows: the Board of Directors takes the ultimate responsibilities for credit risk management, the Board of Supervisors takes the supervisory responsibilities for credit risk management, while the senior management undertaking the responsibilities for implementation of credit risk management, and for the implementation of resolutions approved by the Board of Directors on credit risk; the Risk Management Committee is responsible for credit risk management; and the Credit Business Approval Committee is responsible for approving credit lines within the scope of authorization; each business department shall bear the primary responsibility for credit risk mitigation, and implementation of policies, standards and procedures of credit risk management in its own field of business in accordance with the segregation of duties among different functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk management and mitigation, of which the Credit Management Department is the leading department of credit risk management, and the Internal Audit Department supervises each department's performance of duties in credit risk management independently and objectively.

(1) Loans and advances to customers, loan commitments and financial guarantees

The risk on loan portfolio refers to the risk of uncertain income or loan losses due to failure of a borrower to repay the principal and interest in full upon maturity of a loan. Given the loan portfolio is a major component of the Group's assets, risk on the loan portfolio is considered as a principal credit risk.

(2) Debt securities and other debt instruments

Credit risks on debt securities and other debt instruments arising from changes in credit spreads, default rates, loss ratios and credit quality of underlying assets.

The Group adopts a prudent approach in making debt security investments by focusing on low-risk debt securities, including government bonds and bonds issued by financial institutions. Other debt instruments are mainly trust investment plans and assets management plans.

The Group established a risk evaluation system on the issuers of corporate bonds and other debt instruments, and performs ongoing post-lending monitoring on a timely basis.

(3) Interbank financing business

The Group manages the credit quality by considering the size, financial position and the internal and external credit rating of those banks and financial institutions.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement

The Group has applied ECL models to measure the impairment of debt instruments measured at amortized cost and at FVTOCI, as well as credit commitments.

Based on whether a significant increase in credit risk has occurred since initial recognition of a financial instrument or becoming credit impaired, the Group will classify credit risk exposures into three stages to calculate the ECL.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, measured by the changes of default risk over their expected life. These changes have been determined by comparing the default risk at the end of the reporting period and at the date of initial recognition.

Stage 3 includes financial instruments that are credit-impaired.

The Group could assesses impairment allowance through either the ECL models or discounted cash flow method.

The Group has incorporated forward-looking information for measuring ECL and constructed complicated models involving substantial management judgements and assumptions, mainly including the following:

- Grouping of risks;
- Significant increase in credit risk;
- Definition of default and credit-impaired;
- Descriptions of parameters, assumptions and estimation techniques;
- Forward-looking information;
- Management overlay;
- The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(1) *Grouping of risks*

For measurement of ECL, the credit risk exposures will be segmented based on similar credit risk characteristics. In determination of the portfolio segmentation of credit assets, the Group considers the type of borrower, type of product, and industry etc. The segmentation of portfolio is regularly monitored and reviewed to ensure the appropriateness and reliability of credit risk segmentation.

(2) *Significant Increase in credit risk (SICR)*

At the end of each reporting period, the Group evaluates whether a significant increase in credit risk of related financial instruments has occurred since initial recognition, which mainly includes: impacts of regulation and operating environment, changes in internal and external credit rating, insolvency, business performance, loan contractual terms, etc. Based on individual financial instrument or financial instrument portfolios with similar credit risk characteristics, the Group determines changes of the default risk by comparing the risk at the end of each reporting period with that at the date of initial recognition.

The Group has set up both quantitative and qualitative standards according to the different features of credit risk associated with the financial assets as well as the current status of risk management initiatives. In determining whether a significant increase in credit risk of financial assets has occurred, the Group mainly considers whether the internal credit rating has been downgraded by more than a certain scale and has reached a certain threshold since initial recognition , whether there has been an adverse change of risk classification, and whether principal or interest has been more than 30 days past due, etc.

(3) *Definition of default and credit-impaired*

The Group considers a financial instrument as in default or being credit-impaired when it meets one or more of the following criteria, including whether principal or interest has been more than 90 days past due, and whether the risk classification of the credit risk exposure has been downgraded below a certain category or the internal credit rating has been downgraded below a certain threshold, etc.

(4) *Description of parameters, assumptions, and estimation techniques*

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition and whether an asset is considered being credit-impaired. ECL derived from the discounted value of the multiplication of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Related definitions are as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation. The Group's PD has adopted the results of internal rating model, or for financial asset that does not use this model, historical analysis is adopted, where the historical default records are calculated by historical data of asset portfolios with similar credit risk characteristics, incorporating forward-looking information, to reflect the PD at a specific point in time under the current macroeconomic environment.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(4) Description of parameters, assumptions, and estimation techniques (continued)

LGD refers to the ratio of the expected loss in the total amount of the loan portfolios, which is the extent of loss on a default. The Group's LGD is calculated by internal rating model. For financial asset that does not use this model, historical analysis is adopted, where the loss of default has been calculated over the next 12 months or over the remaining lifetime from the time of default. The assessment is on an individual basis by customer type, guarantee method, and historical non-performing loan collection experience, etc.

EAD refers to the total amount of on-and off-balance sheet exposures in the event of default.

The Group estimates PD, LGD and EAD of each portfolio in the future to calculate the ECL. The Group multiples the three and adjusts their expected life (such as default), and discount and aggregate the calculation result of each period to determine the ECL. The discount rate used in the ECL calculation is the effective rate or its approximate value.

The Group periodically monitors the related assumptions concerning the calculation of ECL and makes necessary updates and adjustments.

(5) Forward-looking information

The calculation of ECL incorporates forward-looking information. The Group performs historical analysis and has identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Gross Domestic Product ("GDP"), Consumer Price Index, Consumer Confidence Index, etc.

These economic variables and their associated impacts on PD vary by segmentation of portfolios. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "basic economic scenario") are made by the Group regularly, and the relationship between these economic variables and PD is identified through performing statistical regression analysis with the purpose of understanding the impact that the historical changes of these variables that might have on PD.

The Group has adopted three economic scenarios (Base, Upside and Downside) and applied weightings for them respectively, on the basis of a combination of the macroeconomic information, statistical analysis and expert judgement. For the year ended 31 December 2022, the highest weighting is assigned to Base scenario, while weightings of Upside and Downside were not higher than 30% respectively.

As at December 31, 2022, the Group considers the macroeconomy by referring to the prediction of internal and external authoritative experts to determine the base scenario. Under the base scenario, the growth rate of GDP is predicted to be 5.11%.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(5) Forward-looking information (continued)

The Group periodically reviews and monitors the appropriateness of the above assumptions, and makes necessary updates and adjustments.

Relatively substantial management judgements are involved in the weighting scheme of macroeconomic scenarios, macroeconomic forecasts, and significant increase in credit risk in ECL models. The variation of key inputs above will inevitably lead to changes in ECL as a result of model's inherent complexity. The Group has analyzed sensitivity of ECL model by considering the fluctuation of macroeconomic forecasts.

Assuming year-over-year growth in GDP, the core macroeconomic forecasting indicator, would increase or decrease by 10%, the absolute change rate of the balance of loss allowance as at December 31, 2022 would be no more than 5%.

(6) Management Overlay

Taking into account inherent limitations of ECL models and temporary systematic risk factors, the Group has accrued additional loss allowance in response to potential risk and improved its risk compensation capability. The amount of management overlay adjustments was not material as compared to the total balance of loss allowance as at December 31, 2022.

(7) The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method

At each measurement date, the Group projects the future cash inflows of each future period related to the financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

(8) Write-off policy

The Group writes off financial assets, in full or in part, when it has taken all necessary recovery efforts and is still not capable of reasonably expecting to recover partial or all the financial assets. The Group may write-off financial assets that are still subject to enforcement activities. The outstanding amounts of such assets written off during the year ended December 31, 2022 were RMB16,779 million (2021: RMB14,066 million).

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(9) The modification of contractual cash flows

In order to minimize the credit loss, the Group may renegotiate the terms of the contract with borrowers that have deteriorated in financial position, or are unable to meet their original repayment schedule, which include concessions given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Such contract modifications may include terms of loan, repayment schedule or interest rate. Based on the management's judgement of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. Rescheduled loans should be reviewed with at least 6 months of observation to reach the corresponding stage classification criteria. As at December 31, 2022 and 2021 respectively, the amount of the credit-impaired rescheduled loans and advances to customers of the Group was not material.

45.3.2 Credit risk limit control and mitigation policy

In accordance with risk policies and limits, the risk management and business departments of the Group enhanced risk management policies and procedures to optimize business processes and monitor the implementation of risk control indicators.

To mitigate risks, the Group requires customers to provide collateral or guarantees when appropriate. The Group has established guidelines for the acceptability of specific types of collateral, and set up a collateral management system to standardize the collateral operation process. At the same time, the value, structure and legal documents of the collateral are regularly reviewed to ensure its validity and conform to market practices.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.3 Credit risk exposures

(1) Maximum credit risk exposures

The table below presents the Group's maximum credit risk exposures before considering any collaterals or other credit enhancements as at December 31, 2022 and 2021 respectively. For on-balance sheet assets, the maximum credit risk exposures are presented at their net carrying amounts on the consolidated statement of financial position.

	As at December 31, 2022	As at December 31, 2021
Deposits with central bank	1,213,802	1,140,913
Deposits with banks and other financial institutions	161,422	90,782
Placements with banks and other financial institutions	303,310	280,093
Derivative financial assets	1,905	6,053
Financial assets held under resale agreements	229,870	265,229
Loans and advances to customers	6,977,710	6,237,199
Financial investments		
Financial assets measured at fair value through profit or loss – debt instruments	861,805	748,797
Financial assets measured at fair value through other comprehensive income – debt instruments	416,172	306,132
Financial assets measured at amortized cost	3,669,598	3,280,003
Other financial assets	24,448	32,016
Subtotal	13,860,042	12,387,217
Credit commitments	698,862	631,290
Total	14,558,904	13,018,507

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers

(1) Loans and advances to customers by geographical region:

	As at December 31, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Head Office	351,522	5%	342,903	5%
Central China	1,772,273	25%	1,583,333	25%
Yangtze River Delta	1,464,429	20%	1,305,967	20%
Western China	1,217,601	17%	1,105,157	17%
Bohai Rim	1,079,811	15%	964,919	15%
Pearl River Delta	946,038	13%	813,089	13%
Northeastern China	378,759	5%	338,731	5%
Total	7,210,433	100%	6,454,099	100%

(2) Loans and advances to customers by types:

	As at December 31, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Personal loans and advances	4,046,105	56%	3,756,153	58%
Corporate loans and advances				
Including:				
Corporate loans	2,669,362	37%	2,253,936	35%
Discounted bills	494,966	7%	444,010	7%
Total	7,210,433	100%	6,454,099	100%

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers (continued)

(3) Loans and advances to customers by industry:

	As at December 31, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Personal loans and advances				
Consumer loans				
– Residential mortgage loans	2,261,763	31%	2,169,309	34%
– Other consumer loans	466,882	6%	496,621	7%
Personal small and micro loans	1,135,194	16%	915,354	14%
Credit overdrafts and others	182,266	3%	174,869	3%
Subtotal	4,046,105	56%	3,756,153	58%
Corporate loans and advances				
Transportation, storage and postal services	780,283	11%	706,262	11%
Manufacturing	409,673	6%	326,840	5%
Financial services	254,629	4%	237,739	4%
Production and supply of electricity, heating, gas and water	254,075	4%	229,209	3%
Real estate	211,525	3%	138,886	2%
Wholesale and retail	179,418	2%	129,855	2%
Construction	154,868	2%	119,839	2%
Leasing and business services	148,482	2%	135,092	2%
Management of water conservancy, environmental and public facilities	128,776	1%	110,607	2%
Mining	70,036	1%	60,798	1%
Other industries	77,597	1%	58,809	1%
Subtotal	2,669,362	37%	2,253,936	35%
Discounted bills	494,966	7%	444,010	7%
Total	7,210,433	100%	6,454,099	100%

As at December 31, 2022, the balance of loans and advances to customers in relation to transportation, storage and postal services included loans to China State Railway Group Co., Ltd. of RMB165,659 million (December 31, 2021: RMB177,089 million).

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers (continued)

(4) Loans and advances to customers by types of collateral:

	As at December 31, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Unsecured loans	1,924,623	26%	1,703,823	26%
Guaranteed loans	507,223	7%	420,261	7%
Loans secured by mortgages	3,576,468	50%	3,242,496	50%
Loans secured by pledges	707,153	10%	643,509	10%
Discounted bills	494,966	7%	444,010	7%
Total	7,210,433	100%	6,454,099	100%

(5) Overdue loans and advances to customers

Overdue loans and advances to customers by security types and overdue status are as follows:

	As at December 31, 2022				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	8,945	10,601	3,492	1,144	24,182
Guaranteed loans	1,993	1,526	2,661	814	6,994
Loans secured by mortgages	14,330	12,175	6,308	2,869	35,682
Loans secured by pledges	28	29	119	1,204	1,380
Total	25,296	24,331	12,580	6,031	68,238

	As at December 31, 2021				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	7,149	7,713	1,788	1,069	17,719
Guaranteed loans	2,473	2,284	3,006	747	8,510
Loans secured by mortgages	8,608	7,464	5,977	2,982	25,031
Loans secured by pledges	74	4,302	1,166	602	6,144
Discounted bills	–	–	10	–	10
Total	18,304	21,763	11,947	5,400	57,414

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments

(1) Credit quality of debt instruments

The table below represents the carrying amounts of financial assets at amortized cost and financial assets measured at FVTOCI – debt instruments:

	As at December 31, 2022			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,664,878	4,671	49	3,669,598
Financial assets measured at FVTOCI – debt instruments	416,172	–	–	416,172
Total	4,081,050	4,671	49	4,085,770

	As at December 31, 2021			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,275,201	4,784	18	3,280,003
Financial assets measured at FVTOCI – debt instruments	306,115	–	17	306,132
Total	3,581,316	4,784	35	3,586,135

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1

	As at December 31, 2022		
The types of debt instruments	Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	1,413,809	121,902	1,535,711
Financial institutions	1,671,779	212,772	1,884,551
Corporates	106,093	81,449	187,542
Interbank certificates of deposits	292,767	49	292,816
Asset-backed securities	148,314	–	148,314
Other debt instruments	24,460	–	24,460
Debt financing plans	12,289	–	12,289
Gross amount	3,669,511	416,172	4,085,683
Less: Allowance for impairment loss	4,633	–	4,633
Carrying amount of debt instruments at stage 1	3,664,878	416,172	4,081,050

	As at December 31, 2021		
The types of debt instruments	Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	1,246,558	59,968	1,306,526
Financial institutions	1,516,188	185,805	1,701,993
Corporates	107,771	56,454	164,225
Interbank certificates of deposits	229,084	391	229,475
Asset-backed securities	144,051	–	144,051
Other debt instruments	30,170	–	30,170
Debt financing plans	7,264	3,497	10,761
Gross amount	3,281,086	306,115	3,587,201
Less: Allowance for impairment loss	5,885	–	5,885
Carrying amount of debt instruments at stage 1	3,275,201	306,115	3,581,316

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debts instruments held. The ratings are based on the ratings from major rating agencies where the issuers of the debt instruments are located. The amounts of debts instruments analyzed by rating as at the end of the reporting period are as follows:

	As at December 31, 2022					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	740,511	798,653	–	207	–	1,539,371
Bonds issued by financial institutions	1,784,439	134,212	1,606	4,504	14,962	1,939,723
Corporate bonds	70,127	121,865	–	16,278	5,781	214,051
Interbank certificates of deposits	404,796	–	–	–	–	404,796
Asset-backed securities	2,813	146,580	–	–	–	149,393
Debt financing plans	12,289	–	–	–	–	12,289
Fund investments	616,591	–	–	–	–	616,591
Trust investment plans and asset management plans	54,191	–	–	–	–	54,191
Wealth management products issued by financial institutions	199	–	–	–	–	199
Other debt instruments	45,137	–	–	–	–	45,137
Total	3,731,093	1,201,310	1,606	20,989	20,743	4,975,741

	As at December 31, 2021					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	694,067	617,624	–	100	–	1,311,791
Bonds issued by financial institutions	1,609,482	120,227	1,614	10,561	10,495	1,752,379
Corporate bonds	26,307	134,582	–	16,996	6,575	184,460
Interbank certificates of deposits	412,138	–	–	–	–	412,138
Asset-backed securities	19,095	126,027	–	–	–	145,122
Debt financing plans	10,761	–	–	–	–	10,761
Fund investments	441,238	–	–	–	–	441,238
Trust investment plans and asset management plans	57,541	–	–	–	–	57,541
Other debt instruments	51,543	–	–	–	–	51,543
Total	3,322,172	998,460	1,614	27,657	17,070	4,366,973

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating (continued)

Unrated debt instruments held by the Group are bonds issued by the Chinese government, policy banks, China Development Bank, interbank certificates of deposits, fund investments and other debt instruments such as trust investment plans and asset management plans issued by financial institutions, the principal and income of which are mainly guaranteed by financial institutions or third party companies, or secured by bills and other financial assets as collateral.

45.3.6 Concentration of credit risk

The credit risk exposure of financial assets mainly concentrates in Mainland China.

45.4 Market risk

Market risk refers to the risk of loss to the Group's on- and off-balance sheet business operations arising from unfavorable changes on market prices (including interest rates, exchange rates, stock prices and commodity prices). The Group is primarily exposed to interest rate risk and exchange rate risk (including gold).

The Group adopts a centralized approach during the market risk management process, including identification, measurement, monitoring and mitigation of the market risk. The Group has established basic policies and procedures for the management of market risk, separation of banking and trading books, and valuation of financial assets. The Group applies such policies and procedures to identify, measure, monitor and mitigate market risks on both banking book and trading book respectively.

The Group is also exposed to market risk on its derivative investments on behalf of customers that are hedged through back-to-back transactions with other financial institutions.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Measurement techniques and limit setting for market risks

Trading book

Market risk on the trading book mainly arises from losses in valuation of financial instruments in the trading book due to adverse changes of market interest rates and exchange rates.

The Group uses limit management, sensitivity analysis, exposure analysis, stress test and other methods to manage the market risk of trading book and control the risk exposure within an acceptable range.

Banking book

The interest rate risk of the Group includes the risk of the adverse changes in the interest rate and term structure that may affect the economic value and overall operating income of the Group. It mainly includes the mismatch risk and the prime interest rate risk of assets and liabilities.

The Group measures the gap between assets and liabilities caused by repricing dates and maturity dates mismatch through monitoring the interest rate sensitivity gap using repricing gap analysis, and makes adjustments to refine the structure and bridge the interest rate risk gap by assessing potential changes of interest rates.

Sensitivity analysis on net interest income

The sensitivity analysis on net interest income is based on changes in interest rates with the assumption that all interest rates move by the same margin and the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, prime interest rates or any prepayment options on debt securities into consideration. On the assumption that the RMB yield and foreign currency yield move in parallel, the Group calculates changes of net interest income in the coming year.

The table below shows the potential impact on the Group's net interest income by an upward or a downward parallel shift of interest rates by 100 basis points. The actual circumstances may differ from the assumptions so that the impact on the net interest income as shown in the following analysis may be different from the actual outcome.

	(Decrease)/Increase in net interest income	
	As at December 31, 2022	As at December 31, 2021
Upward parallel shift of 100 bps for yield curves	(13,148)	(13,773)
Downward parallel shift of 100 bps for yield curves	13,148	13,773

Interest rate risk

The Group's interest rate exposures are as follows. The financial assets and financial liabilities at the end of the reporting period were stated at their carrying amounts based on the earlier of their repricing date or contractual maturity date.

45 Financial risk management (continued)

45.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2022						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,205,140	–	–	–	–	58,811	1,263,951
Deposits with banks and other financial institutions	12,683	26,107	121,533	–	–	1,099	161,422
Placements with banks and other financial institutions	34,699	30,595	162,363	75,275	–	378	303,310
Derivative financial assets	–	–	–	–	–	1,905	1,905
Financial assets held under resale agreements	122,921	37,820	68,650	–	–	479	229,870
Loans and advances to customers	3,521,115	754,780	2,213,020	387,710	81,028	20,057	6,977,710
Financial assets measured at fair value through profit or loss	10,148	33,364	92,877	13,451	38,841	675,102	863,783
Financial assets measured at fair value through other comprehensive income-debt instruments	5,905	21,764	45,376	318,290	18,381	6,456	416,172
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	186,736	397,740	463,779	1,045,067	1,522,004	54,272	3,669,598
Other financial assets	–	–	–	–	–	24,448	24,448
Total financial assets	5,099,347	1,302,170	3,167,598	1,839,793	1,660,254	852,353	13,921,515
Borrowings from central bank	5,699	49	19,028	–	–	39	24,815
Deposits from banks and other financial institutions	69,455	5	8,710	101	–	499	78,770
Placements from banks and other financial institutions	10,898	6,089	25,368	–	–	344	42,699
Derivative financial liabilities	–	–	–	–	–	2,465	2,465
Financial assets sold under repurchase agreements	164,305	10,322	8,864	–	–	155	183,646
Customer deposits	5,182,388	2,081,575	3,934,770	1,360,779	–	154,973	12,714,485
Debt securities issued	–	–	–	–	99,990	1,920	101,910
Other financial liabilities	282	405	2,069	5,844	1,252	37,073	46,925
Total financial liabilities	5,433,027	2,098,445	3,998,809	1,366,724	101,242	197,468	13,195,715
Interest rate risk gap	(333,680)	(796,275)	(831,211)	473,069	1,559,012	654,885	725,800

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2021						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,132,543	–	–	–	–	56,915	1,189,458
Deposits with banks and other financial institutions	11,504	12,023	66,773	–	–	482	90,782
Placements with banks and other financial institutions	68,620	25,550	149,489	35,387	–	1,047	280,093
Derivative financial assets	–	–	–	–	–	6,053	6,053
Financial assets held under resale agreements	202,524	20,378	41,820	–	–	507	265,229
Loans and advances to customers	3,119,309	579,054	2,147,599	261,684	110,207	19,346	6,237,199
Financial assets measured at fair value through profit or loss	22,303	84,975	88,739	49,530	2,523	502,527	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	13,799	27,076	72,192	176,421	10,954	5,690	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	43,691	65,903	548,875	1,324,849	1,251,071	45,614	3,280,003
Other financial assets	–	–	–	–	–	32,016	32,016
Total financial assets	4,614,293	814,959	3,115,487	1,847,871	1,374,755	682,085	12,449,450
Borrowings from central bank	2,958	1,400	12,952	–	–	6	17,316
Deposits from banks and other financial institutions	144,359	660	577	8,796	–	417	154,809
Placements from banks and other financial institutions	6,872	6,676	28,662	–	–	355	42,565
Derivative financial liabilities	–	–	–	–	–	5,176	5,176
Financial assets sold under repurchase agreements	17,107	10,440	6,995	–	–	101	34,643
Customer deposits	4,753,022	1,901,502	3,431,925	1,102,101	–	165,523	11,354,073
Debt securities issued	–	–	–	–	79,984	1,442	81,426
Other financial liabilities	347	374	2,281	5,462	1,220	48,891	58,575
Total financial liabilities	4,924,665	1,921,052	3,483,392	1,116,359	81,204	221,911	11,748,583
Interest rate risk gap	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174	700,867

45 Financial risk management (continued)

45.4 Market risk (continued)

Foreign exchange rate risk

The tables below present the Group's exposures that were subject to changes in exchange rates as at December 31, 2022 and 2021 respectively. The Group's RMB exposures were included in the table for comparison. The financial assets and liabilities and off-balance sheet credit commitments were stated at their carrying amounts in RMB equivalent.

The major currency of the Group for daily operation is RMB. Other currencies used by the Group include United States Dollars (USD), Euro (EUR), Hong Kong Dollars (HKD) and U.K. Pound Sterling (GBP), etc.

	As at December 31, 2022			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,261,936	1,964	51	1,263,951
Deposits with banks and other financial institutions	155,749	4,598	1,075	161,422
Placements with banks and other financial institutions	301,990	1,320	–	303,310
Derivative financial assets	876	973	56	1,905
Financial assets held under resale agreements	229,870	–	–	229,870
Loans and advances to customers	6,961,053	14,138	2,519	6,977,710
Financial assets measured at fair value through profit or loss	863,783	–	–	863,783
Financial assets measured at fair value through other comprehensive income-debt instruments	412,408	3,764	–	416,172
Financial assets measured at fair value through other comprehensive income-equity instruments	9,346	–	–	9,346
Financial assets measured at amortized cost	3,618,216	51,239	143	3,669,598
Other financial assets	23,606	839	3	24,448
Total financial assets	13,838,833	78,835	3,847	13,921,515
Borrowings from central bank	24,815	–	–	24,815
Deposits from banks and other financial institutions	78,769	1	–	78,770
Placements from banks and other financial institutions	35,417	7,282	–	42,699
Derivative financial liabilities	890	1,558	17	2,465
Financial assets sold under repurchase agreements	183,646	–	–	183,646
Customer deposits	12,681,321	32,661	503	12,714,485
Debt securities issued	101,910	–	–	101,910
Other financial liabilities	45,983	937	5	46,925
Total financial liabilities	13,152,751	42,439	525	13,195,715
Net on-balance sheet position	686,082	36,396	3,322	725,800
Net notional amount of derivative financial instruments	17,537	(12,411)	(5,779)	(653)
Credit commitments	686,747	7,650	4,465	698,862

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Foreign exchange rate risk (continued)

	As at December 31, 2021			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,186,222	3,188	48	1,189,458
Deposits with banks and other financial institutions	87,316	2,233	1,233	90,782
Placements with banks and other financial institutions	257,491	22,602	–	280,093
Derivative financial assets	1,048	4,850	155	6,053
Financial assets held under resale agreements	265,229	–	–	265,229
Loans and advances to customers	6,205,695	25,601	5,903	6,237,199
Financial assets measured at fair value through profit or loss	668,009	82,588	–	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	301,462	4,670	–	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	11,888	–	–	11,888
Financial assets measured at amortized cost	3,231,554	48,423	26	3,280,003
Other financial assets	25,862	6,150	4	32,016
Total financial assets	12,241,776	200,305	7,369	12,449,450
Borrowings from central bank	17,316	–	–	17,316
Deposits from banks and other financial institutions	154,809	–	–	154,809
Placements from banks and other financial institutions	27,515	15,050	–	42,565
Derivative financial liabilities	1,046	3,979	151	5,176
Financial assets sold under repurchase agreements	34,643	–	–	34,643
Customer deposits	11,327,612	26,057	404	11,354,073
Debt securities issued	81,426	–	–	81,426
Other financial liabilities	52,836	5,738	1	58,575
Total financial liabilities	11,697,203	50,824	556	11,748,583
Net on-balance sheet position	544,573	149,481	6,813	700,867
Net notional amount of derivative financial instruments	91,727	(83,409)	(9,986)	(1,668)
Credit commitments	618,525	6,575	6,190	631,290

45 Financial risk management (continued)

45.4 Market risk (continued)

Exchange rate sensitivity analysis

The table below indicates the potential effect of appreciation or depreciation of USD spot and forward exchange rate against RMB by 5% on net profit of the Group.

Exchange rate changes	As at December 31, 2022	As at December 31, 2021
5% of appreciation of USD against RMB	613	2,231
5% of depreciation of USD against RMB	(613)	(2,231)

The impact on the net profit arises from the effects of fluctuation in RMB exchange rate on the net positions of foreign monetary assets and liabilities. The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign exchange exposures, based on the management expectation of future foreign currency fluctuation. Therefore the above sensitivity analysis may differ from the actual situation.

45.5 Liquidity risk

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial bank at a reasonable cost in a timely manner to repay maturing debts, fulfill other payment obligations and meet other financial needs during normal business operation. Events or factors that cause the Group's liquidity risk include: deposit customers withdrawing deposits, loan customers withdrawing credit facilities, debtors failing to repay principal and interest, excessive mismatch of maturity of assets and liabilities, difficulty in disposal assets, deterioration in financing capability, etc. The objective of liquidity risk management of the Group is to meet the liquidity needs and fulfill its payment obligation to external parties during the normal operation or at a highly stressed condition which is achieved through the establishment of a scientific and comprehensive liquidity risk management mechanism, through which liquidity risk can be timely identified, measured and effectively mitigated. The Group adheres to prudent liquidity risk management strategy and effectively balances the rhythm and structure of capital source and utilization.

The Group conducts liquidity risk stress tests on a quarterly basis to identify potential liquidity risks and continually improve stress testing methods based on regulatory and internal management requirements. The stress test results show that under the various pressure scenario assumptions, the Group can pass the minimum life expectancy test.

The Group is mainly funded by personal deposits, which is considered a stable source of funding. On the other hand, the Group primarily invests in assets with high liquidity such as deposits with banks, and government bonds. During the reporting period, the Group's liquidity regulatory indicators were functioning normally, with sufficient liquidity as a whole and safe and controllable.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

	As at December 31, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	67,821	–	592	–	–	–	1,195,538	1,263,951
Deposits with banks and other financial institutions	–	9,578	3,138	26,385	122,321	–	–	–	161,422
Placements with banks and other financial institutions	–	–	34,731	30,850	162,454	75,275	–	–	303,310
Derivative financial assets	–	–	235	328	593	749	–	–	1,905
Financial assets held under resale agreements	–	–	123,030	38,000	68,840	–	–	–	229,870
Loans and advances to customers	13,634	–	384,087	539,989	1,972,629	1,509,579	2,557,792	–	6,977,710
Financial assets measured at fair value through profit or loss	10	184,201	10,290	66,613	230,897	202,103	167,691	1,978	863,783
Financial assets measured at fair value through other comprehensive income-debt instruments	–	–	6,913	23,319	47,432	320,127	18,381	–	416,172
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	36	–	100,396	101,914	508,944	1,243,711	1,714,597	–	3,669,598
Other financial assets	1,906	13,758	338	2,812	194	475	4,651	314	24,448
Total financial assets	15,586	275,358	663,158	830,802	3,114,304	3,352,019	4,463,112	1,207,176	13,921,515
Borrowings from central bank	–	–	5,702	51	19,062	–	–	–	24,815
Deposits from banks and other financial institutions	–	69,547	283	6	8,823	111	–	–	78,770
Placements from banks and other financial institutions	–	–	11,005	6,158	25,536	–	–	–	42,699
Derivative financial liabilities	–	–	377	401	912	775	–	–	2,465
Financial assets sold under repurchase agreements	–	–	164,407	10,358	8,881	–	–	–	183,646
Customer deposits	–	4,200,104	1,008,742	2,125,488	3,983,662	1,396,489	–		12,714,485
Debt securities issued	–	–	–	1,168	752	–	99,990	–	101,910
Other financial liabilities	–	10,862	14,353	7,100	2,230	6,642	5,738	–	46,925
Total financial liabilities	–	4,280,513	1,204,869	2,150,730	4,049,858	1,404,017	105,728	–	13,195,715
Net liquidity	15,586	(4,005,155)	(541,711)	(1,319,928)	(935,554)	1,948,002	4,357,384	1,207,176	725,800

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,511	12,138	67,124	–	–	–	90,782
Placements with banks and other financial institutions	–	–	68,873	26,024	149,809	35,387	–	–	280,093
Derivative financial assets	–	–	661	1,964	2,480	948	–	–	6,053
Financial assets held under resale agreements	–	–	202,768	20,500	41,961	–	–	–	265,229
Loans and advances to customers	12,854	–	328,464	437,716	1,837,016	1,256,093	2,365,056	–	6,237,199
Financial assets measured at fair value through profit or loss	10	124,137	25,862	85,175	184,435	148,299	180,879	1,800	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	17	–	14,841	29,268	74,631	176,421	10,954	–	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	54,499	77,358	568,754	1,327,201	1,251,995	–	3,280,003
Other financial assets	2,115	22,068	372	2,203	175	529	4,274	280	32,016
Total financial assets	15,192	220,786	698,851	692,897	2,926,385	2,944,878	3,813,158	1,137,303	12,449,450
Borrowings from central bank	–	–	2,960	1,401	12,955	–	–	–	17,316
Deposits from banks and other financial institutions	–	143,604	907	771	675	8,852	–	–	154,809
Placements from banks and other financial institutions	–	–	6,944	6,764	28,857	–	–	–	42,565
Derivative financial liabilities	–	–	883	1,458	1,879	956	–	–	5,176
Financial assets sold under repurchase agreements	–	–	17,156	10,480	7,007	–	–	–	34,643
Customer deposits	–	3,967,774	813,541	1,957,890	3,483,183	1,131,685	–	–	11,354,073
Debt securities issued	–	–	–	695	747	–	79,984	–	81,426
Other financial liabilities	–	16,531	16,699	10,957	2,552	6,546	5,290	–	58,575
Total financial liabilities	–	4,127,909	859,090	1,990,416	3,537,855	1,148,039	85,274	–	11,748,583
Net liquidity	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities

The Group manages its inherent liquidity risk in the short term based on the expected undiscounted cash flows.

	As at December 31, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	67,821	–	592	–	–	–	1,195,538	1,263,951
Deposits with banks and other financial institutions	–	9,578	3,142	26,696	123,939	–	–	–	163,355
Placements with banks and other financial institutions	–	–	34,758	32,648	166,471	76,855	–	–	310,732
Financial assets held under resale agreements	–	–	123,072	38,199	69,900	–	–	–	231,171
Loans and advances to customers	15,540	–	408,001	588,739	2,155,307	2,134,029	3,747,764	–	9,049,380
Financial assets measured at fair value through profit or loss	10	184,201	10,299	66,774	233,171	208,374	174,155	1,978	878,962
Financial assets measured at fair value through other comprehensive income-debt instruments	–	–	7,175	23,942	52,646	346,284	20,302	–	450,349
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	36	–	102,508	108,288	572,361	1,592,057	1,999,448	–	4,374,698
Other financial assets	–	13,758	338	2,812	194	475	4,651	314	22,542
Total non-derivative financial assets	15,586	275,358	689,293	888,690	3,373,989	4,358,074	5,946,320	1,207,176	16,754,486
Non-derivative financial liabilities									
Borrowings from central bank	–	–	5,709	70	19,349	–	–	–	25,128
Deposits from banks and other financial institutions	–	69,547	284	6	9,307	119	–	–	79,263
Placements from banks and other financial institutions	–	–	11,011	6,233	26,004	–	–	–	43,248
Financial assets sold under repurchase agreements	–	–	164,440	10,391	8,940	–	–	–	183,771
Customer deposits	–	4,200,104	1,009,622	2,132,547	4,033,889	1,470,643	–	–	12,846,805
Debt securities issued	–	–	–	1,426	2,095	14,084	118,320	–	135,925
Other financial liabilities	–	10,862	14,388	7,151	2,489	7,373	5,895	–	48,158
Total non-derivative financial liabilities	–	4,280,513	1,205,454	2,157,824	4,102,073	1,492,219	124,215	–	13,362,298
Net liquidity	15,586	(4,005,155)	(516,161)	(1,269,134)	(728,084)	2,865,855	5,822,105	1,207,176	3,392,188

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities (continued)

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,515	12,418	68,248	–	–	–	92,190
Placements with banks and other financial institutions	–	–	68,948	27,731	153,737	35,973	–	–	286,389
Financial assets held under resale agreements	–	–	202,853	20,601	42,610	–	–	–	266,064
Loans and advances to customers	14,969	–	365,336	513,352	2,095,048	1,950,360	3,266,765	–	8,205,830
Financial assets measured at fair value through profit or loss	10	124,137	25,712	84,942	185,237	155,844	184,663	1,800	762,345
Financial assets measured at fair value through other comprehensive income-debt instruments	17	–	14,932	29,695	77,725	189,045	12,213	–	323,627
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	57,102	83,177	632,671	1,635,125	1,534,418	–	3,942,689
Other financial assets	–	22,068	372	2,203	175	529	4,274	280	29,901
Total non-derivative financial assets	15,192	220,786	737,770	774,670	3,255,451	3,966,876	5,002,333	1,137,303	15,110,381
Non-derivative financial liabilities									
Borrowings from central bank	–	–	2,963	1,404	13,009	–	–	–	17,376
Deposits from banks and other financial institutions	–	143,604	908	774	824	9,199	–	–	155,309
Placements from banks and other financial institutions	–	–	6,950	6,854	29,312	–	–	–	43,116
Financial assets sold under repurchase agreements	–	–	17,165	10,515	7,056	–	–	–	34,736
Customer deposits	–	3,967,774	814,237	1,965,022	3,529,656	1,194,359	–	–	11,471,048
Debt securities issued	–	–	–	900	2,095	11,980	92,955	–	107,930
Other financial liabilities	–	16,531	16,715	10,975	2,659	6,804	5,347	–	59,031
Total non-derivative financial liabilities	–	4,127,909	858,938	1,996,444	3,584,611	1,222,342	98,302	–	11,888,546
Net liquidity	15,192	(3,907,123)	(121,168)	(1,221,774)	(329,160)	2,744,534	4,904,031	1,137,303	3,221,835

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities

Derivative financial instruments settled on a net basis

The fair values of the Group's derivative financial instruments that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	As at December 31, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	(3)	8	9	(30)	–	(16)

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	6	–	(8)	1	–	(1)

Derivative financial instruments settled on a gross basis

The fair values of the Group's derivative financial instruments that will be settled on a gross basis are primarily related to changes in foreign exchange rates and interest rates. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	As at December 31, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	23,653	15,888	42,951	2	–	82,494
– Cash outflow	(23,816)	(15,979)	(43,350)	(2)	–	(83,147)
Total	(163)	(91)	(399)	–	–	(653)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities (continued)

Derivative financial instruments settled on a gross basis (continued)

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	90,030	160,388	177,043	1	–	427,462
– Cash outflow	(90,529)	(178,298)	(177,178)	–	–	(446,005)
Total	(499)	(17,910)	(135)	1	–	(18,543)

Credit commitments

The off-balance sheet items of the Group are listed in the following table by remaining contractual maturity, and the financial guarantees are listed in the notional amount according to the earliest contract expiration date:

	As at December 31, 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	32,187	51,181	8,225	91,593
Bank acceptances	95,218	–	–	95,218
Guarantees and letters of guarantees	28,382	23,370	4,477	56,229
Letters of credit	65,535	–	–	65,535
Unused credit card commitments	390,287	–	–	390,287
Total	611,609	74,551	12,702	698,862

	As at December 31, 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	50,747	88,695	13,181	152,623
Bank acceptances	36,158	–	–	36,158
Guarantees and letters of guarantees	20,301	17,949	4,609	42,859
Letters of credit	32,209	–	–	32,209
Unused credit card commitments	367,441	–	–	367,441
Total	506,856	106,644	17,790	631,290

45 Financial risk management (continued)

45.6 Operational risk

Operational risk refers to risks caused by inadequate or problematic internal procedures, employee misconduct and IT system failures, and external events. The types of operational risks that the Group may face include seven categories: internal fraud, external fraud, employment systems and workplace safety, customers, products and business activities, damage to physical assets, information technology system failures, execution, delivery and process management.

Guided by the operational risk appetite approved by the Board of Directors, the Group's senior management is mainly responsible for establishing and implementing the operational risk management policies and limits. The policies aim to continuously improve the internal control mechanism, reinforce the supervision and inspection framework, improve the information technology capability, enrich the basis of operation management, intensify monitoring reports, regulate staff behaviour, foster risk management culture and initiative awareness to regulations and ensure the security of business operation.

45.7 Fair value of financial instruments

Most of the balance sheet items of the Group are financial assets and financial liabilities. The fair value measurement of non-financial assets and non-financial liabilities will not have a significant impact on the Group's overall financial performance.

During the year ended December 31, 2022 and 2021, there were no assets or liabilities which were discontinued being measured at fair value by the Group.

(1) Valuation techniques, parameters and processes

The fair value of financial assets and financial liabilities is determined according to the following methods:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market is determined by reference to the market price.

- For non-option derivative financial instruments, the fair value is determined by discounted cash flow analysis using the applicable yield curve within the term of the instrument.

- The fair value of other financial assets and financial liabilities is determined according to the generally accepted pricing model or the current market price observable for similar instruments based on the discounted cash flow analysis. If there is no observable market transaction price for similar instruments, the net assets are used for valuation, and the price is analyzed by the management.

The Group has established an independent valuation process for financial assets and financial liabilities to satisfy segregation of duties and relevant departments are respectively responsible for valuation, model validation and accounting treatment.

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(2) Fair value hierarchy

Financial instruments at fair value are classified into the following three levels of measurement hierarchy:

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position

Financial assets and liabilities not measured at fair value mainly represent deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, financial assets measured at amortized cost, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and debt securities issued.

The tables below summarize the carrying amounts and the fair values of the financial assets measured at amortized cost and debt securities issued which are not set out in the statement of financial position.

	As at December 31, 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,669,598	3,820,801	–	3,410,676	410,125
Financial liabilities					
Debt securities issued	101,910	101,537	–	101,537	–

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position (continued)

	As at December 31, 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,280,003	3,334,758	–	2,772,136	562,622
Financial liabilities					
Debt securities issued	81,426	81,911	–	81,911	–

Except for the financial assets and liabilities above, the fair value of other financial assets and financial liabilities not measured at fair value in the statement of financial position are determined using discounted future cash flows. There is no significant difference between their carrying amounts and fair value.

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured at their fair value on the statement of financial position.

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	602,367	–	602,367
Subtotal	–	602,367	–	602,367
Financial assets measured at FVTPL				
– Debt securities	–	78,792	–	78,792
– Interbank certificates of deposits	–	111,980	–	111,980
– Asset-backed securities	–	52	–	52
– Fund investments	–	523,775	92,816	616,591
– Trust investment plans and asset management plans	–	–	54,191	54,191
– Wealth management products issued by financial institutions	–	199	–	199
– Equity instruments	954	–	1,024	1,978
Subtotal	954	714,798	148,031	863,783
Derivative financial assets				
– Exchange rate derivatives	–	986	–	986
– Interest rate derivatives	–	876	–	876
– Precious metal derivatives	–	43	–	43
Subtotal	–	1,905	–	1,905
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	416,123	–	416,123
– Interbank certificates of deposits	–	49	–	49
Subtotal	–	416,172	–	416,172
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	5,421	1,412	2,513	9,346
Subtotal	5,421	1,412	2,513	9,346
Total financial assets	6,375	1,736,654	150,544	1,893,573
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,569)	–	(1,569)
– Interest rate derivatives	–	(890)	–	(890)
– Precious metal derivatives	–	(6)	–	(6)
Total financial liabilities	–	(2,465)	–	(2,465)

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(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	594,407	–	594,407
Subtotal	–	594,407	–	594,407
Financial assets measured at FVTPL				
– Debt securities	–	67,310	–	67,310
– Interbank certificates of deposits	–	182,663	–	182,663
– Asset-backed securities	–	45	–	45
– Fund investments	–	390,373	50,865	441,238
– Trust investment plans and asset management plans	–	–	57,541	57,541
– Equity instruments	637	–	1,163	1,800
Subtotal	637	640,391	109,569	750,597
Derivative financial assets				
– Exchange rate derivatives	–	5,002	–	5,002
– Interest rate derivatives	–	1,049	–	1,049
– Precious metal derivatives	–	2	–	2
Subtotal	–	6,053	–	6,053
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	302,244	–	302,244
– Interbank certificates of deposits	–	391	–	391
– Debt financing plans	–	–	3,497	3,497
Subtotal	–	302,635	3,497	306,132
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	9,491	–	2,397	11,888
Subtotal	9,491	–	2,397	11,888
Total financial assets	10,128	1,543,486	115,463	1,669,077
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(4,106)	–	(4,106)
– Interest rate derivatives	–	(1,052)	–	(1,052)
– Precious metal derivatives	–	(18)	–	(18)
Total financial liabilities	–	(5,176)	–	(5,176)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices. Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

Parameters used in valuation techniques mainly include debt securities prices, interest rates, exchange rates, equity prices, volatility level, correlation, pre-payment rate and counterparties' credit spread.

(a) Basis of determining the market price for recurring fair value measurements categorized within Level 1

Quoted prices are used for financial instruments with quoted prices in an active market.

(b) Valuation techniques, key parameters used for recurring fair value measurement categorized within Level 2

Financial investments

Financial investments using valuation techniques mainly consist of debt securities, interbank certificates of deposits, investment fund and equity instruments, etc. The fair value of RMB bonds and interbank certificates of deposits is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. The fair value of foreign currency bonds and interbank certificates of deposits is determined based on the valuation results of Bloomberg. The fair value of these bonds and interbank certificates of deposits is determined based on a valuation technique for which all significant inputs are observable market data. The fair value of the investment fund classified as Level 2 derived from the observable quoted price in market. The fair value of the equity instruments classified as Level 2 is measured by discounted cash flow method.

Derivatives

Derivatives using valuation techniques with market observable inputs are mainly foreign exchange forwards and swaps, interest rate swaps, cross currency interest rate swaps, and precious metals swaps, etc. The most frequently applied valuation techniques include discounted cash flow method and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Loans and advances to customers

The loans and advances to customers involving valuation techniques are mainly forfaiting and discounted bills. The fair value of these forfaiting and discounted bills is measured by discounted cash flow method.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below:

			Unobservable inputs	
December 31, 2022	Fair Value	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Financial assets				
Financial assets measured at FVTPL				
– Fund investments	92,816	(i)	Net assets	Positive correlation
– Trust investment plans and asset management plans	54,191	(i)	Net assets	Positive correlation
– Equity instruments	1,024	(i)	Net assets	Positive correlation
Subtotal	148,031			
Financial assets measured at FVTOCI – equity instruments	2,513	(i)	Net assets	Positive correlation
Total	150,544			

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

			Unobservable inputs		
December 31, 2021	Fair Value	Valuation technique	Inputs	Range of inputs	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets measured at FVTPL					
– Fund investments	50,865	(i)	Net assets		Positive correlation
– Trust investment plans and asset management plans	57,541	(i)	Net assets		Positive correlation
– Equity instruments	1,163	(i)	Net assets		Positive correlation
Subtotal	109,569				
Financial assets measured at FVTOCI – debt instruments					
– Debt financing plans	3,497	(ii)	Discount rate	3.52%-6.05%	Negative correlation
Financial assets measured at FVTOCI – equity instruments	2,397	(i)	Net assets		Positive correlation
Total	115,463				

(i) The fair value of fund investments, trust investment plans and asset management plans, equity instruments measured at FVTPL, and equity instruments measured at FVTOCI are mainly determined using net asset method, where the significant unobservable inputs are the net assets. The fair value of certain trust investment plans and asset management plans are determined by reference to current market condition.

(ii) The fair value of debt financing plans measured at FVTOCI is measured using the discounted cash flow method, where the significant unobservable inputs are the yield curves of similar financial instruments to be used as discount rates.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

Changes in Level 3 are analyzed below:

	2022		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI–debt instruments	Financial assets measured at FVTOCI–equity instruments
Balance at the beginning of the year	109,569	3,497	2,397
Increased	39,451	–	–
Settled	(6,441)	(3,497)	–
Total gains or losses recognized in			
– Profit or loss	5,452	–	–
– Other comprehensive income	–	–	116
Balance at the end of the year	148,031	–	2,513
Total unrealized gains in profit or loss	5,715	–	–

	2021			
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI–debt instruments	Financial assets measured at FVTOCI–equity instruments	Loans and advances to customers
Balance at the beginning of the year	52,446	3,939	1,553	459,105
Increased	50,510	3,458	500	–
Settled	(1,840)	(3,899)	–	(38,970)
Total gains or losses recognized in				
– Profit or loss	8,453	–	–	–
– Other comprehensive income	–	(1)	344	962
Transfers out of level 3	–	–	–	(421,097)
Balance at the end of the year	109,569	3,497	2,397	–
Total unrealized gains in profit or loss	8,366	–	–	–

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(d) Transfers between Levels

During the year ended December 31, 2022, there were no changes of fair value hierarchies.

During the year 2021, due to changes in market conditions for certain securities, quoted prices in active markets were available. Therefore, these securities were transferred from Level 2 to Level 1 of the fair value hierarchy during the year 2021. Besides, due to changes in the valuation techniques of certain financial instruments or significant inputs used in their fair value measurements, which was previously unobservable became observable or validated by the market, etc., certain financial instruments were transferred from Level 3 to Level 2 of the fair value hierarchy during the year 2021.

45.8 Capital management

The Group's capital management aims at meeting regulatory requirements, continuously improving the ability to mitigate risks and increasing returns on capital. Accordingly, the Group has set its capital adequacy objectives and employed various means and methods to meet its management objectives, including performance assessment against plans and budgets, and limit management; to ensure its capital management meets external regulatory, credit rating, risk compensation and shareholders' value requirements; help drive risk management across the Group; ensure a disciplinary expansion of its assets; and continually improve its business structure and operating models.

The Group has maintained a relatively fast pace of development in terms of business scale in recent years with an increase in the demand of capital accordingly. In order to ensure that the Group meets regulatory capital adequacy requirements and maximises returns to shareholders without compromising its risk management, the Group makes strong efforts to promote the establishment of capital constraints system, enhances the management of both total amount and structure of risk assets, and promotes the transformation of its business model towards a capital efficient one through the comprehensive use of several measurement tools such as capital planning, limit management, economic capital management and estimation of internal capital adequacy, in order to ensure that the capital adequacy ratios meet the risk coverage and regulatory requirements continuously.

In accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the related provisions promulgated by the CBIRC, and Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試行)》) issued by the PBOC and the CBIRC, as at December 31, 2022, the Group's core tier 1 capital adequacy ratio should be 8.00%, tier 1 capital adequacy ratio should be 9.00%, and capital adequacy ratio should be 11.00% (as at December 31, 2021: 8.00%, 9.00% and 11.00%, respectively). During the year ended December 31, 2022, the Group continuously intensified the monitoring, analyzing and reporting of capital adequacy ratios, constantly optimized the risk asset structure, increases internal capital accumulation, and promoted the supplement of external capital, in order to ensure that the Group's capital adequacy ratio meets regulatory requirements and internal management needs.

(All amounts in millions of RMB unless otherwise stated)

45 Financial risk management (continued)

45.8 Capital management (continued)

The Group's regulatory capital as calculated according to the Capital Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by the CBIRC at December 31, 2022 and 2021 is as follows:

		As at December 31, 2022	As at December 31, 2021
Core tier 1 capital adequacy ratio	(1)	9.36%	9.92%
Tier 1 capital adequacy ratio	(1)	11.29%	12.39%
Capital adequacy ratio	(1)	13.82%	14.78%
Core tier 1 capital		685,295	637,186
Deductions of core tier 1 capital	(2)	(5,408)	(2,162)
Core tier 1 capital – net		679,887	635,024
Additional tier 1 capital		140,126	157,982
Tier 1 capital – net		820,013	793,006
Tier 2 capital			
Directly issued qualifying tier 2 instruments including related premium		99,990	79,984
Excess provision for loan loss		83,702	72,749
Non-controlling interests recognized in tier 2 capital		282	253
Net capital	(3)	1,003,987	945,992
Risk-weighted assets	(4)	7,266,134	6,400,338

(1) Core tier 1 capital adequacy ratio is equal to net core tier 1 capital divided by risk-weighted assets; tier 1 capital adequacy ratio is equal to net tier 1 capital divided by risk-weighted assets; and capital adequacy ratio is equal to net capital divided by risk-weighted assets.

(2) Deductions from core tier 1 capital include other intangible assets (not including land use rights).

(3) Net capital is equal to total capital net of deductions from total capital.

(4) Risk-weighted assets include credit risk-weighted assets measured using the risk-weighted method, market risk-weighted assets measured using the standardized method, and operational risk-weighted assets measured using the basic indicator approach.

46 Reconciliation of liabilities arising from financing activities

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

	Debt securities issued (Note 33)	Dividends payable	Lease liabilities (Note 34)	Other liabilities	Total
As at January 1, 2022	81,426	–	9,683	–	91,109
Financing cash flows	16,998	(29,564)	(3,895)	(51,273)	(67,734)
Non-cash changes					
Interest expenses	3,486	–	326	–	3,812
Net gains on foreign exchanges	–	–	–	2,401	2,401
New leases entered	–	–	4,316	–	4,316
Leases termination	–	–	(578)	–	(578)
Dividends declared	–	29,564	–	–	29,564
Redemption of preference shares declared	–	–	–	48,872	48,872
As at December 31, 2022	101,910	–	9,852	–	111,762

	Debt securities issued (Note 33)	Dividends payable	Lease liabilities (Note 34)	Total
As at 1 January 2021	57,974	–	9,278	67,252
Financing cash flows	20,866	(24,573)	(4,012)	(7,719)
Non-cash changes				
Interest expenses	2,586	–	323	2,909
New leases entered	–	–	4,094	4,094
Dividends declared	–	24,573	–	24,573
As at 31 December 2021	81,426	–	9,683	91,109

47 Events after the end of the reporting period

(1) Dividend distribution

On March 30, 2023, the Board of Directors proposed the following profit distribution scheme for the year ended December 31, 2022. In accordance with the Company Law of the People's Republic of China (中華人民共和國公司法), Administrative Measures for Provisioning of Financial Enterprises (金融企業準備金計提管理辦法) and the Articles of Association and other relevant provisions: declaration of cash dividend of RMB2.579 per ten shares (tax included), totalling RMB25,574 million (tax included) to ordinary shareholders based on RMB99,161 million (non-public issuance of A Shares in 2023 included) ordinary shares. The proposed profit distribution scheme is subject to the approval in the forthcoming Annual General Meeting for the year of 2022. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(2) Private Placement of A Shares

Approved by China Securities Regulatory Commission, the Bank non-publicly issued 6,777,108,433 A shares of ordinary shares listed in Mainland China to China Mobile Communications Group Co., Ltd.

As at March 22, 2023, the Bank completed the non-public issuance of 6,777,108,433 A shares of ordinary shares at an issue price of RMB6.64 per share, raising a total of RMB44,999,999,995.12 in cash. After deducting the related issuance cost of RMB19,840,975.16 (tax exclusive), the actual net proceeds were RMB44,980,159,019.96, which will be used to replenish the core tier 1 capital of the Bank. On March 28, 2023, the Bank have completed the procedures of registration, custody and sales restriction in Shanghai branch of China Securities Depository and Clearing Corporation Limited for the shares issued.

The shares subscribed by China Mobile Communications Group Co., Ltd. in the non-public issuance will have a sales restriction period of five years.

(3) Issuance of bonds

On March 23, 2023, the Bank publicly issued a 3-year green financial bond (Phase 1) of RMB5 billion in the Domestic Interbank Bond Market. After deducting the issuance costs, the proceeds will be used to issue green industry project loans in the Green Bond Support Project Catalogue (2021) (綠色債券支援專案目錄(2021年版)) in accordance with the applicable laws and the approval of relevant authorities.

On March 23, 2023, the Bank publicly issued a 3-year special financial bond (Phase 1) of RMB5 billion for small and micro enterprises loan (Phase 1) in the Domestic Interbank Bond Market. After deducting the issuance costs, the proceeds will be used to issue small and micro enterprise loans in accordance with the applicable laws and the approval of relevant authorities.

48 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

49 The statement of financial position of the Bank

	As at December 31,	
	2022	2021
Assets		
Cash and deposits with central bank	1,263,786	1,189,458
Deposits with banks and other financial institutions	158,292	93,075
Placements with banks and other financial institutions	309,923	287,655
Derivative financial assets	1,905	6,053
Financial assets held under resale agreements	229,819	265,080
Loans and advances to customers	6,931,162	6,195,006
Financial investments		
Financial assets at fair value through profit or loss	863,483	750,585
Financial assets at fair value through other comprehensive income-debt instruments	409,435	298,451
Financial assets at fair value through other comprehensive income-equity instruments	9,346	11,888
Financial assets at amortized cost	3,667,138	3,278,979
Investment in subsidiaries	15,115	10,115
Property and equipment	53,147	54,621
Deferred tax assets	62,722	55,594
Other assets	51,276	57,601
Total assets	14,026,549	12,554,161
Liabilities		
Borrowings from central bank	24,815	17,316
Deposits from banks and other financial institutions	80,714	155,510
Placements from banks and other financial institutions	11,389	15,990
Derivative financial liabilities	2,465	5,176
Financial assets sold under repurchase agreements	183,646	34,643
Customer deposits	12,712,659	11,354,073
Income tax payable	2,289	4,030
Debt securities issued	101,910	81,426
Other liabilities	88,020	96,004
Total liabilities	13,207,907	11,764,168

(All amounts in millions of RMB unless otherwise stated)

49 The statement of financial position of the Bank (continued)

	As at December 31,	
	2022	2021
Equity		
Share capital	92,384	92,384
Other equity instruments		
Preference shares	–	47,869
Perpetual bonds	139,986	109,986
Capital reserve	124,490	125,497
Other reserves	239,602	218,880
Retained earnings	222,180	195,377
Total equity	818,642	789,993
Total equity and liabilities	14,026,549	12,554,161

Approved and authorized for issue by the Board of Directors on March 30, 2023.

Liu Jianjun	**Zhang Xuewen**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

50 The statement of changes in equity of the Bank

		Other equity instruments			Other reserves				
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2022	92,384	47,869	109,986	125,497	50,105	156,771	12,004	195,377	789,993
Profit for the year	–	–	–	–	–	–	–	83,729	83,729
Other comprehensive income	–	–	–	–	–	–	(6,640)	–	(6,640)
Total comprehensive income for the year	–	–	–	–	–	–	(6,640)	83,729	77,089
Redemption of preference shares	–	(47,869)	–	(1,004)	–	–	–	–	(48,873)
Issuance of perpetual bonds	–	–	30,000	(3)	–	–	–	–	29,997
Appropriation to surplus reserve	–	–	–	–	8,373	–	–	(8,373)	–
Appropriation to general reserve	–	–	–	–	–	19,475	–	(19,475)	–
Dividends declared and paid to ordinary shareholders	–	–	–	–	–	–	–	(22,856)	(22,856)
Dividends declared and paid to preference shareholders	–	–	–	–	–	–	–	(2,430)	(2,430)
Dividends to perpetual bonds holders	–	–	–	–	–	–	–	(4,278)	(4,278)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	–	–	–	–	–	–	(486)	486	–
As at December 31, 2022	92,384	–	139,986	124,490	58,478	176,246	4,878	222,180	818,642

(All amounts in millions of RMB unless otherwise stated)

50 The statement of changes in equity of the Bank (continued)

		Other equity instruments			Other reserves				
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2021	86,979	47,869	79,989	100,917	42,688	129,688	2,755	178,896	669,781
Profit for the year	–	–	–	–	–	–	–	74,170	74,170
Other comprehensive income	–	–	–	–	–	–	10,598	–	10,598
Total comprehensive income for the year	–	–	–	–	–	–	10,598	74,170	84,768
Issuance of ordinary shares	5,405	–	–	24,580	–	–	–	–	29,985
Issuance of perpetual bonds	–	–	29,997	–	–	–	–	–	29,997
Appropriation to surplus reserve	–	–	–	–	7,417	–	–	(7,417)	–
Appropriation to general reserve	–	–	–	–	–	27,083	–	(27,083)	–
Dividends declared and paid to ordinary shareholders	–	–	–	–	–	–	–	(19,262)	(19,262)
Dividends declared and paid to preference shareholders	–	–	–	–	–	–	–	(2,324)	(2,324)
Dividends to perpetual bonds holders	–	–	–	–	–	–	–	(2,952)	(2,952)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	–	–	–	–	–	–	(1,349)	1,349	–
As at December 31, 2021	92,384	47,869	109,986	125,497	50,105	156,771	12,004	195,377	789,993

APPENDIX I: SUPPLEMENTARY FINANCIAL INFORMATION

Leverage ratio

In millions of RMB, except for percentages

Item	As at December 31, 2022	As at September 30, 2022	As at June 30, 2022	As at March 31, 2022
Tier 1 capital – net	820,013	815,023	838,323	840,751
On- and off-balance sheet assets after adjustments	14,623,664	14,071,223	13,931,845	13,733,769
Leverage ratio (%)	5.61	5.79	6.02	6.12

Relevant accounting items corresponding to regulatory leverage ratio items and differences between regulatory items and accounting items

In millions of RMB

No.	Item	As at December 31, 2022
1	Consolidated total assets	14,067,282
2	Consolidation adjustments	–
3	Customer assets adjustments	–
4	Derivatives adjustments	242
5	Securities financing transactions adjustments	45,243
6	Off-balance sheet items adjustments	516,305
7	Other adjustments	(5,408)
8	On- and off-balance sheet assets after adjustments	14,623,664

Leverage ratio, Tier 1 capital – net, On- and off-balance sheet assets after adjustments and relevant details

In millions of RMB, except for percentages

No.	Item	As at December 31, 2022
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	13,835,507
2	Less: Deduction from tier 1 capital	5,408
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	13,830,099
4	Replacement costs of various derivatives (excluding eligible margin)	840
5	Potential risk exposures of various derivatives	1,307
6	Total collateral deducted from the balance sheet	–
7	Less: Assets receivable arising from the provision of eligible margin	–
8	Less: Derivative assets arising from central counterpart transactions when providing clearing services to customers	–
9	Nominal principal arising from sales of credit derivatives	–
10	Less: Deductible assets arising from sales of credit derivatives	–
11	Derivative assets	2,147
12	Accounting assets arising from securities financing transactions	229,870
13	Less: Deductible assets arising from securities financing transactions	–
14	Counter-party credit risk exposures arising from securities financing transactions	45,243
15	Assets arising from agency services in connection with securities financing transactions	–
16	Securities financing transactions assets	275,113
17	Off-balance sheet assets	2,426,651
18	Less: Decrease in off-balance sheet items due to credit conversion	1,910,346
19	Off-balance sheet items after adjustments	516,305
20	Tier 1 capital – net	820,013
21	On- and off-balance sheet assets after adjustments	14,623,664
22	Leverage ratio (%)	5.61

International Claims

The Bank regards all claims on third parties outside the Chinese mainland and claims denominated in foreign currencies on third parties in the Chinese mainland as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits and placements with banks and other financial institutions, investments in debt securities and others.

A country or geographical region 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.

In millions of RMB

	As at December 31, 2022			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	2,009	36,113	42,209	80,331
– of which attributed to Hong Kong, China	–	4,125	12,616	16,741
Europe	–	2,219	6,116	8,335
North and South America	2,760	2,344	1,227	6,331
Other areas	204	–	–	204
Total	4,973	40,676	49,552	95,201

In millions of RMB

	As at December 31, 2021			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	5,568	124,073	48,523	178,164
– of which attributed to Hong Kong, China	–	37,232	13,263	50,495
Europe	–	6,108	7,457	13,565
North and South America	5,101	1,346	673	7,120
Other areas	89	–	–	89
Total	10,758	131,527	56,653	198,938

Gross Amount of Overdue Loans to Customers

In millions of RMB, except for percentages

	As at December 31, 2022	As at December 31, 2021
Total loans to customers which have been overdue with respect to either principal or interest for periods		
Within 3 months (inclusive)	25,237	18,294
Between 3 months and 6 months (inclusive)	11,744	10,289
Between 6 months and 12 months (inclusive)	12,566	11,440
Over 12 months	18,605	17,336
Total	68,152	57,359
As a percentage of total loans to customers[1] (%)		
Within 3 months (inclusive)	0.35	0.28
Between 3 months and 6 months (inclusive)	0.16	0.16
Between 6 months and 12 months (inclusive)	0.18	0.18
Over 12 months	0.26	0.27
Total	0.95	0.89

Note (1): Total loans to customers does not include accrued interest.

APPENDIX II: COMPOSITION OF CAPITAL

Composition of Capital

In millions of RMB, except for percentages

Item		As at December 31, 2022
Core tier 1 capital:		
1	Paid-in capital	92,384
2	Retained earnings	462,458
2a	Surplus reserve	58,478
2b	General reserve	178,784
2c	Undistributed profits	225,196
3	Accumulated other comprehensive income and disclosed reserve	129,397
3a	Capital reserve	124,479
3b	Others	4,918
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–
5	Valid portion of minority interests	1,056
6	Core tier 1 capital before regulatory adjustments	685,295
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	–
8	Goodwill (net of deferred tax liabilities)	–
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	5,408
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–
12	Shortfall of provision for loan impairment	–
13	Gain on sale related to asset securitization	–
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–
16	Direct or indirect holding in own ordinary shares	–
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
20	Mortgage servicing rights	–
21	Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of net deferred tax assets that rely on the bank's future profitability	–
23	Including: Deductible amount of significant minority investments in capital instruments issued by financial institutions	–
24	Including: Deductible amount of mortgage servicing rights	–

APPENDIX II: COMPOSITION OF CAPITAL

Item		As at December 31, 2022
25	Including: Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
26a	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26c	Other items that should be deducted from core tier 1 capital	–
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–
28	Total regulatory adjustments to core tier 1 capital	5,408
29	Core tier 1 capital	679,887
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	139,986
31	Including: Portion classified as equity	139,986
32	Including: Portion classified as liabilities	–
33	Invalid instruments to additional tier 1 capital after the transition period	–
34	Valid portion of minority interests	140
35	Including: Invalid portion to additional tier 1 capital after the transition period	–
36	Additional tier 1 capital before regulatory adjustments	140,126
Additional tier 1 capital: Regulatory adjustments		
37	Direct or indirect investments in own additional tier 1 instruments	–
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–
39	Deductible amount of insignificant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41c	Other items that should be deducted from additional tier 1 capital	–
42	Undeducted shortfall that should be deducted from tier 2 capital	–
43	Total regulatory adjustments to additional tier 1 capital	–
44	Additional tier 1 capital	140,126
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	820,013
Tier 2 capital:		
46	Tier 2 capital instruments and related premium	99,990
47	Invalid instruments to tier 2 capital after the transition period	–
48	Valid portion of minority interests	282
49	Including: Invalid portion to tier 2 capital after the transition period	–
50	Valid portion of surplus provision for loan impairment	83,702
51	Tier 2 capital before regulatory adjustments	183,974

Item		As at December 31, 2022
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 instruments	–
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–
54	Deductible portion of insignificant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
56c	Other items that should be deducted from tier 2 capital	–
57	Total regulatory adjustments to tier 2 capital	–
58	Tier 2 capital	183,974
59	Total capital (tier 1 capital + tier 2 capital)	1,003,987
60	Total risk-weighted assets	7,266,134
Requirements for capital adequacy ratio and reserve capital (%)		
61	Core tier 1 capital adequacy ratio	9.36
62	Tier 1 capital adequacy ratio	11.29
63	Capital adequacy ratio	13.82
64	Institution specific capital requirements	3.00
65	Including: Capital conservation buffer requirement	2.50
66	Including: Countercyclical buffer requirement	–
67	Including: SIB buffer requirement	0.50
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	4.36
Domestic minimum requirements for regulatory capital (%)		
69	Core tier 1 capital adequacy ratio	5.00
70	Tier 1 capital adequacy ratio	6.00
71	Capital adequacy ratio	8.00
Amounts below the thresholds for deduction		
72	Undeducted amount of insignificant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	59,434
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	–
74	Mortgage servicing rights (net of deferred tax liabilities)	–
75	Other net deferred tax assets that rely on the bank's future profitability (net of deferred tax liabilities)	63,955

APPENDIX II: COMPOSITION OF CAPITAL

Item		As at December 31, 2022
Valid caps of surplus provision for loan impairment to tier 2 capital		
76	Provision for loan impairment under the weighted approach	234,145
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	83,702
78	Surplus provision for loan impairment under the internal ratings-based approach	–
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	–
Capital instruments subject to phase-out arrangements		
80	Valid cap to core tier 1 capital for the current period due to phase-out arrangements	–
81	Excluded from core tier 1 capital due to phase-out arrangements	–
82	Valid cap to additional tier 1 capital for the current period due to phase-out arrangements	–
83	Excluded from additional tier 1 capital due to phase-out arrangements	–
84	Valid cap to tier 2 capital for the current period due to phase-out arrangements	–
85	Excluded from tier 2 capital for the current period due to phase-out arrangements	–

Detailed description of related items

In millions of RMB

Item	Balance sheet under regulatory scope of consolidation	Code
Goodwill	–	a
Intangible assets	7,251	b
Including: Land use rights	1,843	c
Deferred income tax liabilities	–	
Including: Deferred tax liabilities related to goodwill	–	d
Including: Deferred tax liabilities related to other intangible assets other than land use rights	–	e
Paid-in capital	92,384	
Including: Amount included in core tier 1 capital	92,384	f
Other equity instruments	139,986	g
Including: Preference shares	–	
Including: Perpetual bonds	139,986	
Capital reserve	124,479	h
Others	4,918	i
Surplus reserve	58,478	j
General reserve	178,784	k
Undistributed profits	225,196	l

Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

In millions of RMB

Item		As at December 31, 2022	Code
Core tier 1 capital:			
1	Paid-in capital	92,384	f
2	Retained earnings	462,458	j+k+l
2a	Surplus reserve	58,478	j
2b	General reserve	178,784	k
2c	Undistributed profits	225,196	l
3	Accumulated other comprehensive income and disclosed reserve	129,397	h+i
3a	Capital reserve	124,479	h
3b	Others	4,918	i
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	
5	Valid portion of minority interests	1,056	
6	Core tier 1 capital before regulatory adjustments	685,295	
Core tier 1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of deferred tax liabilities)	–	a-d
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	5,408	b-c-e
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–	
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–	
12	Shortfall of provision for loan impairment	–	
13	Gain on sale related to asset securitization	–	
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	
16	Direct or indirect holding in own ordinary shares	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
20	Mortgage servicing rights	–	
Additional tier 1 capital:			
21	Additional tier 1 capital instruments and related premium	139,986	
22	Including: Portion classified as equity	139,986	g

APPENDIX II: COMPOSITION OF CAPITAL

Main Features of Regulatory Capital Instruments

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
1	Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2	Identification code	601658.SH	1658.HK	2028006.IB	2128011.IB	2228001.IB	2128028.IB	2128029.IB	2228017.IB	2228018.IB
3	Applicable laws	PRC laws	PRC laws/laws of Hong Kong, PRC	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws
4	Including: Applicable to rules for the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Including: Applicable to the rules after expiration of the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Including: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Core tier 1 capital instruments	Core tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
8	Amount that can be included in regulatory capital (in millions; on the latest reporting date)	RMB141,257	RMB75,606	RMB79,989	RMB29,997	RMB30,000	RMB49,995	RMB9,999	RMB34,997	RMB4,999
9	Par value of instrument (in millions)	RMB72,528	RMB19,856	RMB80,000	RMB30,000	RMB30,000	RMB50,000	RMB10,000	RMB35,000	RMB5,000
10	Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity instruments	Other equity instruments	Other equity instruments	Bonds payable	Bonds payable	Bonds payable	Bonds payable
11	Initial issuance date	November 28, 2019	September 20, 2016	March 16, 2020	March 19, 2021	January 14, 2022	August 19, 2021	August 19, 2021	March 4, 2022	March 4, 2022
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	August 23, 2031	August 23, 2036	March 8, 2032	March 8, 2037
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Redemption date (or contingent redemption date) and amount	Not applicable	Not applicable	The first redemption date is March 18, 2025, full or part	The first redemption date is March 23, 2026, full or part	The first redemption date is January 18, 2027, full or part	August 23, 2026 redemption in part or full	August 23, 2031 redemption in part or full	March 8, 2027 redemption in part or full	March 8, 2032 redemption in part or full

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
16	Including: Subsequent redemption date (if any)	Not applicable	Not applicable	March 18 each year after the first redemption date	March 23 each year after the first redemption date	January 18 each year after the first redemption date	Not applicable	Not applicable	Not applicable	Not applicable
17	Including: Fixed or floating interest payment or dividend	Floating	Floating	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Fixed	Fixed	Fixed	Fixed
18	Including: Coupon rate and relevant indicators	Not applicable	Not applicable	The coupon rate in the first 5 years is 3.69% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 125 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 4.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 133 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.46% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 83 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	3.44%	3.75%	3.54%	3.74%

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
19	Including: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	No	No	No	No
20	Including: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	No	No	No	No
21	Including: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No
22	Including: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Not applicable	Not applicable	Not applicable	Not applicable
23	Conversion into shares	No	No	No	No	No	No	No	No	No
24	Including: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Including: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Including: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Including: Please specify share conversion is mandatory or not, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Including: Please specify the instrument type after conversion, if allowed	Not applicable	Full discretion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Including: Please specify the issuer of the instrument after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down or not	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
31	Including: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector l injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable
32	Including: Please specify write-down in part or in full, if allowed	Not applicable	Not applicable	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full
33	Including: Please specify the write-down is perpetual or temporary, if allowed	Not applicable	Not applicable	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
34	Including: Please specify the book entry value recovery mechanism, if temporary write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
35	Hierarchy of claims in liquidation (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in ' the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No	No
37	Including: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix III: Reference Materials for Shareholders

Financial Calendar for 2023

2022 annual report	Announced on March 30, 2023
2023 first quarterly report	To be announced no later than April 30, 2023
2023 interim report	To be announced no later than August 31, 2023
2023 third quarterly report	To be announced no later than October 31, 2023

Securities Information

Listing

The ordinary A shares of the Bank were listed on the SSE on December 10, 2019, and the ordinary H shares were listed on the Hong Kong Stock Exchange on September 28, 2016.

Ordinary Shares

Issued A shares: 72,527,800,605 shares (as at December 31, 2022).

Issued H shares: 19,856,167,000 shares (as at December 31, 2022).

Securities Information

	Stock exchange on which shares are listed	Stock name	Stock code
A shares	Shanghai Stock Exchange	郵儲銀行	601658
H shares	The Stock Exchange of Hong Kong Limited	Postal Savings Bank of China	1658

Appendix III: Reference Materials for Shareholders

Shareholder Enquiries

Shareholders who have any inquiries about the shares they hold, such as share transfer, change of name or address, report of loss of share certificates, etc., please write to the following address:

A shares:
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: No. 188 Yanggao South Road, Pudong New Area, Shanghai
Telephone: 86-4008-058-058

H shares:
Computershare Hong Kong Investor Services Limited
Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: 852-28628555
Fax: 852-28650990

Investor Enquiries

The Office of the Board of Directors of Postal Savings Bank of China Co., Ltd.
Address: No. 3 Financial Street, Xicheng District, Beijing
Telephone: 86-10-68858158
Fax: 86-10-68858165
Email: psbc.ir@psbcoa.com.cn

Other Information

You may write to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) to request the annual report prepared under IFRSs or visit the domicile of the Bank for copies prepared under PRC GAAP. The Chinese or English versions of this report are also available on the Bank's website and the following websites: www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this report or access the document on the Bank's website, please call the Bank's A share registrar at 86-4008-058-058, H share registrar at 852-28628555 or the Bank's hotline at 86-10-68858158.

List of Organizations

Tier-1 Branches

Beijing Branch

Address: No. 1 Jia 6, Second Yard, Beijiadi Road, Fengtai District, Beijing
Postal Code: 100068
Telephone: 010-86353872
Fax: 010-86353845

Tianjin Branch

Address: No. 121 Dagu North Road, Heping District, Tianjin
Postal Code: 300040
Telephone: 022-88588888
Fax: 022-88588858

Hebei Branch

Address: Internet Mansion Building A, No. 88 Xisanzhuang Street, Xinhua District, Shijiazhuang
Postal Code: 050070
Telephone: 0311-86683329
Fax: 0311-86698360

Shanxi Branch

Address: 1st to 25th Floor, Building No. 1, No. 139 Pingyang Road, Taiyuan, Shanxi
Postal Code: 030001
Telephone: 0351-2112807
Fax: 0351-2112840

Inner Mongolia Branch

Address: Complex No. 2, the eighth District of Juhaicheng, the junction of Ordos Main Street and Dingxiang Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region
Postal Code: 010010
Telephone: 0471-6924787
Fax: 0471-6263020

Liaoning Branch

Address: No. 72 Beizhan Road, Shenhe District, Shenyang, Liaoning
Postal Code: 110013
Telephone: 024-31927017
Fax: 024-31927219

Jilin Branch

Address: No. 3266 South Ring Road, Nanguan District, Changchun, Jilin
Postal Code: 130000
Telephone: 0431-81285030
Fax: 0431-88985924

Heilongjiang Branch

Address: No. 55 West 14th Street, Daoli District, Harbin, Heilongjiang
Postal Code: 150010
Telephone: 0451-87656792
Fax: 0451-86209997

Shanghai Branch

Address: No. 1080 Dongdaming Road, Hongkou District, Shanghai
Postal Code: 200082
Telephone: 021-63292666
Fax: 021-63293206

Jiangsu Branch

Address: Building No. 2, Nanjing Financial City, No. 242 Lushan Road, Jianye District, Nanjing, Jiangsu
Postal Code: 210019
Telephone: 025-83797811
Fax: 025-83796099

Zhejiang Branch

Address: Building 6, Mingzhu International Business Center, No. 206 Wuxing Road, Shangcheng District, Hangzhou, Zhejiang
Postal Code: 310009
Telephone: 0571-87335016
Fax: 0571-85164911

Anhui Branch

Address: PSBC Hefei Base Building G, No. 7389 Huizhou Avenue, Hefei, Anhui
Postal Code: 230092
Telephone: 0551-62256516
Fax: 0551-62256677

List of Organizations

Fujian Branch

Address: No. 101 Gutian Road, Gulou District, Fuzhou, Fujian
Postal Code: 350005
Telephone: 0591-85163105
Fax: 0591-83373480

Jiangxi Branch

Address: PSBC Building, No. 969 Shimao Road, Honggutan New District, Nanchang, Jiangxi
Postal Code: 330038
Telephone: 0791-88891101
Fax: 0791-86730610

Shandong Branch

Address: Building No. 6, District 4, Hanyu Financial Business Center, No. 7000 Jingshi Road, Gaoxin District, Jinan, Shandong
Postal Code: 250102
Telephone: 0531-58558790
Fax: 0531-58558780

Henan Branch

Address: No. 59 Huayuan Road, Jinshui District, Zhengzhou, Henan
Postal Code: 450008
Telephone: 0371-69199191
Fax: 0371-69199191

Hubei Branch

Address: No. 183 Yunxia Road, Jianghan District, Wuhan, Hubei
Postal Code: 430022
Telephone: 027-65778565
Fax: 027-85722512

Hunan Branch

Address: No. 489 Furong Middle Road Section 1, Changsha, Hunan
Postal Code: 410005
Telephone: 0731-85988267
Fax: 0731-85988345

Guangdong Branch

Address: Fengyuan Building, No. 1-3 Tiyu West Road, Tianhe District, Guangzhou, Guangdong
Postal Code: 510620
Telephone: 020-38186880
Fax: 020-38186666

Guangxi Branch

Address: No. 6 Gehai Road, Liangqing District, Nanning, Guangxi Zhuang Autonomous Region
Postal Code: 530201
Telephone: 0771-5836014
Fax: 0771-5836013

Hainan Branch

Address: No. 1 West Fourth Road, Dayingshan, Meilan District, Haikou, Hainan
Postal Code: 570203
Telephone: 0898-66556005
Fax: 0898-66788066

Chongqing Branch

Address: No. 5 Juxian Street, Jiangbei District, Chongqing
Postal Code: 400024
Telephone: 023-63859333
Fax: 023-63859222

Sichuan Branch

Address: No. 588 Tianfu Fourth Street, Gaoxin District, Chengdu, Sichuan
Postal Code: 610094
Telephone: 028-88619030
Fax: 028-88619020

Guizhou Branch

Address: North Tower 4, Financial City, Changling North Road, Guanshanhu District, Guiyang
Postal Code: 550081
Telephone: 0851-85208005
Fax: 0851-85258832

Yunnan Branch

Address: No. 388 Xuefu Road, Wuhua District, Kunming, Yunnan
Postal Code: 650033
Telephone: 0871-63318155
Fax: 0871-63326698

Tibet Branch

Address: No. 5 Linkuo East Road Lane 1, Lhasa, Tibet Autonomous Region
Postal Code: 850014
Telephone: 0891-6310332
Fax: 0891-6310332

Shaanxi Branch

Address: Postal Information Building, No. 5 Tangyan Road, Gaoxin District, Xi'an, Shaanxi
Postal Code: 710075
Telephone: 029-88602848
Fax: 029-88602861

Gansu Branch

Address: No. 369 Qingyang Road, Chengguan District, Lanzhou, Gansu
Postal Code: 730030
Telephone: 0931-8429172
Fax: 0931-8429891

Qinghai Branch

Address: Guotou Square Building B, No. 32 Wenjing Street, Chengxi District, Xining, Qinghai
Postal Code: 810001
Telephone: 0971-8299172
Fax: 0971-8299178

Ningxia Branch

Address: No. 9 Jiefang West Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region
Postal Code: 750001
Telephone: 0951-6920359
Fax: 0951-6920505

Xinjiang Branch

Address: No. 239 Jiefang North Road, Urumqi, Xinjiang Uygur Autonomous Region
Postal Code: 830002
Telephone: 0991-2357992
Fax: 0991-7593339

Dalian Branch

Address: No. 191 Chengren Street, Shahekou District, Dalian, Liaoning
Postal Code: 116021
Telephone: 0411-84376640
Fax: 0411-84376688

Ningbo Branch

Address: Building No. 1, Yangfan Square, Gaoxin District, Ningbo, Zhejiang
Postal Code: 315010
Telephone: 0574-87950777
Fax: 0574-87950986

Xiamen Branch

Address: No. 238 2/F, 6/F, 7/F, Unit 802-09 and 19/F, Commercial Building of Panji Center, No. 1 Lianyue Road, Siming District, Xiamen, Fujian
Postal Code: 361012
Telephone: 0592-2205134
Fax: 0592-2206124

Qingdao Branch

Address: No. 222 Yan'an 3rd Road, Shinan District, Qingdao, Shandong
Postal Code: 266071
Telephone: 0532-83886609
Fax: 0532-83877070

Shenzhen Branch

Address: 41-44/F, Information Hub Building, Yitian Road, Futian District, Shenzhen, Guangdong
Postal Code: 518048
Telephone: 0755-22228000
Fax: 0755-22228002

List of Organizations

Majority-owned Subsidiaries

PSBC Consumer Finance Co., Ltd.

Address: Tian Lun Holdings Building, No. 281 Linhe East Road, Tianhe District, Guangzhou, Guangdong

Postal Code: 510610

Telephone: 020-22361011

Fax: 020-22361004

PSBC Wealth Management Co., Ltd.

Address: No. 201 2/F, No. 301 3F, No. 401 4/F, No. 501 5/F and No. 601 6/F, Building 6, Financial Street, Xicheng District, Beijing

Postal Code: 100033

Telephone: 010-89621800

Fax: 010-89621830

YOU+ BANK

Address: 25-26/F, No. 1080 Dongdaming Road, Hongkou District, Shanghai

Postal Code: 200082

Telephone: 021-35905606

Fax: 021-35965996