

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



Guangzhou Rural Commercial Bank Co., Ltd.*

廣州農村商業銀行股份有限公司*

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

(H Share Stock code: 1551)

(Preference Share Stock code: 4618)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED DECEMBER 31, 2022**

The board of directors (the “**Board**”) of Guangzhou Rural Commercial Bank Co., Ltd.* (the “**Bank**”) announces the audited consolidated annual results of the Bank and its subsidiaries (collectively the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”) (the “**Annual Results**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) by the International Accounting Standards Board. The Annual Results have been reviewed by the Board and the audit committee thereunder. Unless otherwise specified, the financial data set out in this announcement are the Group’s consolidated account and are presented in Renminbi.

Contents

Definitions	2
Chairman’s Statement	4
Basic Information	7
Summary of Financial Data	15
Management Discussion and Analysis	18
Changes in Share Capital and Shareholders	64
Directors, Supervisors, Senior Management and Employees	74
Corporate Governance Report	94
Report of the Board of Directors	128
Report of the Board of Supervisors	140
Report on Sannong Financial Services	150
Independent Auditor’s Report	151
Financial Statements and Accompanying Notes	159
Unaudited Supplementary Financial Information	326

DEFINITIONS

Unless the context otherwise requires, the terms used in this report shall have the following meanings.

"AGM"	annual general meeting of the Bank
"Articles of Association" or "Articles"	the articles of association of the Bank, which was passed by the shareholders of the Bank at the general meeting held on 16 June 2022 and was approved by the China Banking and Insurance Regulatory Commission, Guangdong Bureau effective on 2 August 2022 (as amended, supplemented or otherwise revised from time to time)
"Board of Directors"	the board of directors of the Bank
"Board of Supervisors"	the board of supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"Central Bank", "PBOC"	the People's Bank of China or "People's Bank"
"China"	the People's Republic of China
"China Banking Regulatory Authority"	the China Banking and Insurance Regulatory Commission and its agencies
"Corporate Governance Code "	Appendix 14 of the Corporate Governance Code under the Listing Rules
"county bank(s)"	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
"CSRC"	China Securities Regulatory Commission
"Group"	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
"Guangdong Bureau of CBIRC"	Guangdong Bureau of China Banking and Insurance Regulatory Commission
"Guangzhou Rural Commercial Bank", "Bank" or "Company"	Guangzhou Rural Commercial Bank Co., Ltd.
"H Shares"	the foreign shares which are registered in Mainland China and listed in Hong Kong
"HK\$"	the lawful currency of Hong Kong Region
"HKEx"	the Stock Exchange of Hong Kong Limited

DEFINITIONS

"Latest Practicable Date"	31 March 2023
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board ("IASB")
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-overseas Listed Shares"	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
"Reporting Period"	for the twelve months from 1 January 2022 to 31 December 2022
"RMB"	the lawful currency of the People's Republic of China
"Sannong"	agriculture, rural areas and farmers
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"USD"	the lawful currency of the United States of America

CHAIRMAN'S STATEMENT

In the midst of the fierce competition of hundreds of boats and thousands of sails, those who strive forward with determination will lead the way. Over the past year, the world has undergone unprecedented changes at an accelerated pace, faced with the daunting task of reform and development in a complex macroeconomic environment, Guangzhou Rural Commercial Bank has rallied together under the guidance of Xi Jinping's socialist ideology with Chinese characteristics, and worked together to steadily advance on the path of high-quality development. With total assets of the Group amounting to RMB1,233.5 billion, representing a year-on-year increase of 6.18%, the Bank is among the top three national agricultural commercial banks. Customers deposits growth was 7.15%, total loans and advances growth was 5.22%, and net profit attributable to shareholders increased by 9.98%, while the Bank's overall business development remained stable.

Only through difficulties can one demonstrate their courage and perseverance; only through steadfast actions can one be truly precious.

The year 2022 was utmost important. The 20th National Congress of the Communist Party of China was successfully convened, outlining the grand blueprint for the construction of a socialist modernization country. We have comprehensively implemented the spirit of the 20th National Congress of the CPC, adhering to the principles of high-quality development, innovation and perseverance, and taking on the responsibility to contribute financial strengths to the new journey of promoting China's modernization with Chinese characteristics. In this year, we united as one to fight against the COVID-19 pandemic, effectively safeguarding the life and health of all employees and ensuring the safe and stable operation of the Bank. Over 3,000 members of the "Jinsui Sun (金穗向陽)" volunteer service team rushed to support pandemic prevention and control in areas such as Haizhu, Huadu, Baiyun, Liwan, and Nansha. With steel-like determination and continuous hard work, we successfully completed the anti-pandemic support mission, embodying the strong positive energy of overcoming difficulties together.

The year 2022 was extremely challenging. We made efforts to adjust our business structure and firmly implemented the "customer doubling plan (客戶倍增計劃)", adhering to our positioning and returning to our roots. We shifted our customer management focus to small and micro-enterprises, and retail customers, optimized and enhanced our product system, and continuously improved service efficiency with unprecedented courage to consolidate the foundation for high-quality development. The number of customers in Sannong, small and micro-enterprises, inclusive finance, as well as retail customers, increased significantly, and our customer acquisition efficiency continued to improve. During this year, we spared no effort to dispose of historical residual issues, solidly promoted the "asset quality year" campaign, built defenses and maintained bottom lines, strengthened management and controlled risks, optimized structure and promoted development, actively innovated work initiatives, and concentrated our efforts to overcome difficulties with unprecedented determination, building a shield of asset quality and safety.

CHAIRMAN'S STATEMENT

The year 2022 was also fruitful. We continued to deepen reform and innovation, and the orderly and well-managed operational management model was continuously strengthened. The comprehensive management of business institutions began to show results, and the fine management of head office departments significantly improved, with the overall business expansion capabilities of the Bank continuously improving. The selection and employment mechanism for personnel, which emphasizes fairness, justice, and competition for the best, was continuously improved. The emphasis on practical work and performance-oriented personnel selection and employment direction became more prominent, and the promotion channels for employees at all levels and positions became smoother, with the Bank's talent team taking on a new look. The comprehensive risk management system, which is accurate, effective, and dynamically managed, was continuously strengthened, with the seven-level classification and four-level management of asset risk classification and grading management mechanism fully established. The asset business achieved full-caliber, full-coverage, and full-process management. The performance-oriented, reward-and-punishment-clear compensation and performance appraisal mechanism was continuously optimized, and the incentive and restraint effects of the appraisal were effectively exerted. During this year, we accelerated business transformation, looking at our province, with a focus on Guangzhou, and regional risks continued to decrease. We strengthened our business characteristics by serving rural revitalization, supporting agriculture, assisting small and micro-enterprises, supporting specialised and innovative small and medium-sized enterprises, and developing green finance, continuously improving our professional capabilities.

The past years were full of challenges, while the journey ahead is still long and winding. Looking back at 2022, we have not disappointed our past efforts; looking forward to 2023, we are filled with confidence. Only with unwavering faith can we unite all the forces that can be united and walk the path of struggle today; only with full confidence can we overcome all the risks and challenges and achieve the glory of tomorrow.

In 2023, we will set sail with enthusiasm and work together as one. Guided by the spirit of the 20th National Congress of the Communist Party of China, we will firmly grasp the requirements of the times for unity and struggle, unwaveringly adhere to and strengthen the Party's overall leadership and Party building, and relentlessly deepen the comprehensive and strict governance of the Party to provide strong guarantees for high-quality development through more effective Party governance. We will take reform and innovation as our driving force, continuously strengthen professional capacity building, adopt various measures to stimulate business vitality, continuously improve our comprehensive operational capabilities, gradually enhance our profitability, and push for high-quality development to a new level with the spirit of daring to innovate and take risks.

In 2023, we will cultivate with dedication and the future is promising. Our mission is to serve the real economy, firmly shoulder the responsibilities of state-owned financial enterprises, and continue to focus on the four distinctive businesses of "rural finance, industrial finance, consumer finance and wealth finance". We will accelerate the optimization of our business structure, improve operational efficiency, and promote high-quality development with a more comprehensive approach to stability and progress. Our goal is to improve people's well-being. We will deepen the implementation of the "customer doubling" plan, continuously expand and strengthen our customer base, and provide high-quality financial services to meet the new expectations of the people for a better life.

CHAIRMAN'S STATEMENT

In 2023, we will strive for long-term success and overcome any obstacles. We will use the “Compliance Construction Year” as an opportunity to comprehensively cultivate a culture of compliance in our organization, optimize our compliance system, strengthen internal control management, and improve our business service capabilities. Through improving the effectiveness of compliance management, we will promote new achievements in reform and development. Our focus will be on reducing the stock of asset risks, continuously strengthening comprehensive risk management, consolidating and deepening the results of the “asset quality year” campaign, and continuously enhancing our capital strength. With extraordinary courage and determination, we will spare no effort to prevent and resolve financial risks.

As history moves forward with the passage of time, dreams are realized through continuous efforts. 2023 is the year to fully implement the spirit of the 20th National Congress of the Communist Party of China. With sense of mission that “we cannot wait, and we cannot be slow (等不起、慢不得)” we will roll up our sleeves and work hard, with the sense of urgency that “one year should be used as two years and two steps should be taken at the same time” (一年當做兩年用、兩步並做一步走), to relentlessly pursue our dreams and strive for excellence. Let us work together to create a new future for Guangzhou Rural Commercial Bank!

I. BANK PROFILE

(I) Official Name

1. Official Chinese Name: 廣州農村商業銀行股份有限公司
(Abbreviated as : “廣州農村商業銀行”)
2. Official English Name: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Registered Capital: RMB11,451,268,539.00

(III) Legal representative: Mr. Cai Jian

(IV) Authorized Representatives: Mr. Cai Jian and Mr. Ngai Wai Fung

(V) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

(VI) H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

(VII) Stock Name and Code: GRCB (1551.HK)

(VIII) Offshore Preference Share Name and Code: GRCB 19USD_PREF(4618.HK)

(IX) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

(X) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

(XI) Scope of Business: Monetary and financial services

(XII) Place of Inspection of the Report: Office of the Board of Directors of the Bank

(XIII) Auditor: PricewaterhouseCoopers

(XIV) Legal Advisor as to Mainland PRC Law: Kingson Law Firm

(XV) Legal Advisor as to Hong Kong Law: Fangda Partners

(XVI) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVII) Non-overseas Listed Shares Depository: China Securities Depository and Clearing Corporation Limited

(XVIII) Other Relevant Information of the Bank

Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, PRC

Postal Code: 510623

website of the Bank: www.grcbank.com

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Telephone No.: (8620)28019324

Email Address: ir@grcbank.com

BASIC INFORMATION

II. BANK BRANCHES AND SUBSIDIARIES

(I) Branches

The following table sets forth the basic information of the branches of the Bank:

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Huangshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999029	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	1/F and 2/F, No. 173 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huanan Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
6	Huangpu Sub-branch	No. 138 Fenge North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
7	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
8	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
9	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
10	Yuexiu Sub-branch	1/F, No. 60 Meidong Road, Yuexiu District, Guangzhou	510030	020-87619149	NA	-

BASIC INFORMATION

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
11	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32160027	NA	-
12	Huadu Branch in the Pilot Zone for Green Finance Reform and Innovation	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911139	NA	Branch
13	Guangdong Free Trade Zone Nansha Branch	No. 56 Xinxing Road, Wanqingsha Town, Nansha District, Guangzhou	511462	020-34929298	NA	Branch
14	Foshan Branch	Rooms 103 and 104 on 1/F and Room 202 on 2/F of Tower 1, Rooms 1603 to 1605 on 16/F and Rooms 1701 to 1708 on 17/F of Block 2, Tower 1, No. 26 Jihua First Road, Chancheng District, Foshan	528000	0757-82581028	0757-82581059	Branch outside
15	Qingyuan Branch	Shop on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan	511500	0763-3910555	NA	Branch outside
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Duanzhou District, Zhaoqing, Guangdong Province	526040	0758-2812835	0758-2812835	Branch outside
17	Heyuan Branch	Rooms 1601-1602 and Rooms 101-102 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong Province	517000	0762-2238111	NA	Branch outside
18	Hegqin Branch in Guangdong-Macao In-depth Cooperation Zone	B6 to B10 Penguin Hotel Commercial Street, Chimelong International Ocean Tourist Resort, Fuxiang Bay, Hengqin New District, Zhuhai, Guangdong Province	519031	0756-2993600	NA	Branch outside

BASIC INFORMATION

(II) Bank's Subsidiaries

The following table sets forth the basic information of the subsidiaries of the Bank:

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
1	Huixian Zhujiang County Bank Co., Ltd.	East Section of Gongcheng Avenue, Huixian	453600	0373-6223019	NA
2	Anyang Zhujiang County Bank Co., Ltd.	Northwest Corner of the intersection of Xingtai Road and Jian'an Street, Anyang City	455000	0372-2223000	0372-2223209
3	Xinyang Zhujiang County Bank Co., Ltd.	Intersection of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang, Henan Province	464000	0376-6199236	NA
4	Zhengzhou Zhujiang County Bank Co., Ltd.	No. 101-1, 1/F, No. 501-2, 5/F, No. 501-3, 5/F, Expo Building, No.8 Business Outer Ring Road, Zhengzhou Area (Zhengdong), Free Trade Zone, Henan	450000	0371-89959090	NA
5	Xinjin Zhujiang County Bank Co., Ltd.	No. 4-4, 1/F of No. 5 and New No. 6 Wujin West Road, Xinjin County, Chengdu, Sichuan Province	611430	028-82580021	NA
6	Guanghan Zhujiang County Bank Co., Ltd.	No. 188 Section 1 of Zhongshan Avenue South, Guanghan, Sichuan Province	618300	0838-5513187	0838-5513152
7	Pengshan Zhujiang County Bank Co., Ltd.	No. 223 Caishan East Road, Pengshan District, Meishan, Sichuan Province	620860	028-37666086	NA
8	Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	32/F and 33/F of Building H and Shops 165-166, 1st Phase of Liuhe Commercial Plaza, Pingshan Subdistrict, Pingshan District, Shenzhen City	518118	0755-36669888	0755-32833903
9	Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	No.132 Fengxiang Avenue, Dongfeng Town, Zhongshan City	528425	0760-22787010	NA

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
10	Xingning Zhujiang County Bank Co., Ltd.	Shopping Mall of Building 9 of Shengjing Times on the west side of Xingnan Avenue and north side of Xigou, Xingning City	514500	0753-8682651	0753-8682655
11	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	No. 1 Yuanwuwei Road, Yuanwuwei Village, Huangjiang Town, Dongguan City	523756	0769-82183813	NA
12	Heshan Zhujiang County Bank Co., Ltd.	Room 201 of No. 195, 187 and 185, and No. 189-193 (odd numbers only), Zhongshan Road, Shaping Town, Heshan, Guangdong Province	529700	0750-8818081	0750-8818081
13	Sanshui Zhujiang County Bank Co., Ltd.	Shops 103, 104 and 105 of 1/F and 2/F and 3/F, No. 9 Nanfeng Avenue, Yundonghai Subdistrict, Sanshui District, Foshan City	528100	0757-87791698	NA
14	Qingdao Chengyang Zhujiang County Bank Co., Ltd.	No. 196 Zhengyang Middle Road, Chengyang District, Qingdao, Shandong Province (YinShengTai International Business Port)	266109	0532-67762806	NA
15	Haiyang Zhujiang County Bank Co., Ltd.	No. 181 Haiyang Road, Haiyang, Shandong Province	265100	0535-3107730	NA
16	Laiwu Zhujiang County Bank Co., Ltd.	Yanje Building, No. 19 Daihuayuan, Longtan East Street, Laicheng District, Laiwu, Jinan City	271100	0531-75662720	0531-75662720
17	Laizhou Zhujiang County Bank Co., Ltd.	No. 672 Wenhua East Street, Laizhou, Shandong Province	261400	0535-2750000	NA
18	Yantai Fushan Zhujiang County Bank Co., Ltd.	No. 133-216 Fuhai Road, Fushan District, Yantai, Shandong Province	265500	0535-6319002	NA
19	Beijing Mentougou Zhujiang County Bank Co., Ltd.	No. 8 Shilong South Road, Yongding Town, Mentougou District, Beijing	102300	010-60865137	010-60865158

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
20	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Public Building 8, 9 (1-4 floors)- No. 151 Huanghaixi Road, Dalian Economic and Technological Development Area, Liaoning Province	116600	0411-66771959	0411-66771960
21	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	No. 51 Jinshan Road, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province	215101	0512-80969696	NA
22	Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	5-1001, Wuzhou International Plaza Phase II, Donghu South Road, Xuyi County, Huai' an	211700	0517-88331111	NA
23	Jiangsu Qidong Zhujiang County Bank Co., Ltd.	No. 605, 609 and 613 Jianghai Middle Road, Huilong Town, Qidong	226200	0513-83904316	NA
24	Changning Zhujiang County Bank Co., Ltd.	No. 101 and 102 Qunying West Road, Changning, Hunan Province	421500	0734-7330833	0734-7330833
25	Jizhou Zhujiang County Bank Co., Ltd.	No. 33 Yangming West Road, Jizhou District, Ji'an, Jiangxi Province	343000	0796-2066666	NA
26	Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd.	No. 006 Xiangyang North Road, Lukou Town, Zhuzhou County, Hunan Province	412100	0731-27618647	0731-27618603
27	Chaozhou Rural Commercial Bank Co., Ltd.	No. 130 Fengchun Road, Chaozhou City	521000	0768-2292072	0768-2301661
28	Guangdong Nanxiong Rural Commercial Bank Co., Ltd.	No. 147 Xiongnan Road, Nanxiong City	512400	0751-3822857	0751-3822857
29	Shaoguan Rural Commercial Bank Co., Ltd.	Shop 35, No. 41 Xinhua South Road, Wujiang District, Shaoguan City, Guangdong Province	512000	0751-8760282	0751-8639226
30	Zhujiang Financial Leasing Co., Ltd.	Room J28, Unit 1101 11/F, Financial Building, No. 171 Haibin Road, Nansha District, Guangzhou City	510620	020-29168100	020-29168101

III. MAJOR HONORS RECEIVED IN 2022

No.	Honors/Awards	Awarding/granting authority	Obtaining time
1	Ranked 188th in 2022 Global Bank Brand Value Top 500	Brand Finance and The Banker (Brand Finance與英國《銀行家》雜誌)	February 2022
2	2021 Annual Excellent Cases of Digital Services	China Banking and Insurance News (《中國銀行保險報》) and China Rural Finance Magazine (《中國農村金融》雜誌)	May 2022
3	2022 "Jinno China Financial Brand Innovation Model"	China Banking and Insurance News	May 2022
4	"Excellent Cases" and "Most Concerned Cases" in the Practical Activity of "I Do Practical Things for the Masses" in Guangdong Financial Industry	Organizing Committee Office of China (Guangzhou) International Financial Trading Expo (中國(廣州)國際金融交易•博覽會)	June 2022
5	Champion of "2022 Lingnan Financial Culture Ambassador Selection Competition", "Lingnan Financial Culture Enlightenment Award"	Organizing Committee Office of China (Guangzhou) International Financial Trading Expo (中國(廣州)國際金融交易•博覽會)	June 2022
6	Ranked 29th in 2022 "China Banking Top 100 List"	China Banking Association (中國銀行業協會)	July 2022
7	Ranked 142nd in 2022 "Global Banking 1000"	The Banker (英國《銀行家》雜誌)	July 2022
8	Ranked 482nd in 2022 Fortune China 500	Fortune (Chinese version) 《財富》(中文版)	July 2022
9	Ranked 469th in Top 500 Enterprises in China in 2022	China Enterprise Confederation, China Enterprise Directors Association	September 2022
10	2022 Top 10 Inclusive Financial Services Innovation Award	The Banker	September 2022
11	2022 China Golden Tripod Award "Wealth Management Award of the Year"	National Business Daily (《每日經濟新聞》)	October 2022
12	The third "Golden Bull Award for Wealth Management Banks" in 2022	China Securities Journal	November 2022
13	Inclusive Financial Bank with Excellent Competitiveness in 2022	China Business Journal (《中國經營報》)	November 2022

BASIC INFORMATION

No.	Honors/Awards	Awarding/granting authority	Obtaining time
14	2022 Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Excellent Service Institution Award	21st Century Business Herald	November 2022
15	2022 Best Private Banking Service and Best Retail Service Bank of the Year of the Bay Area Financial Institutions Service Pioneer List	New Express (《新快報》)	November 2022
16	The 11th Golden Lion Award Annual Rural Revitalization Demonstration Bank in 2022	Information Times (《信息時報》)	December 2022
17	Outstanding Retail Bank of the Year in the 20th Finance Billboard in 2022	hexun.com	December 2022
18	2022 Guangzhou Daily "Gold Pilot" Golden Financial Award for "Sannong" Financial Service Innovation	Guangzhou Daily (《廣州日報》)	December 2022
19	2022 Second Excellent Cases of Banking Industry in Chinanet	finance.china.com.cn	December 2022
20	The Gamma Award of 2022 Golden Bank Wealth Management Brand	Securities Times (《證券時報》)	December 2022
21	Economic Development Contribution Award	Guangzhou Daily (《廣州日報》)	February 2023

SUMMARY OF FINANCIAL DATA

The financial information of the Group set forth in this report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2022	2021	Comparison between 2022 and 2021	2020	2019	2018
			Rate of Change (%)			
Operating results						
Net interest income ⁽¹⁾	18,582.02	19,559.16	(5.00)	17,647.48	18,883.22	13,553.02
Net fee and commission income ⁽¹⁾	1,382.08	1,319.07	4.78	1,326.96	1,362.57	1,266.15
Operating income	22,544.65	23,480.53	(3.99)	21,218.41	23,657.28	20,666.67
Operating expenses	(7,346.18)	(6,420.27)	14.42	(7,037.46)	(6,675.70)	(5,984.34)
Impairment losses ⁽²⁾	(10,688.12)	(12,602.97)	(15.19)	(7,893.38)	(7,086.46)	(5,968.94)
Profit before income tax	4,510.35	4,457.29	1.19	6,287.57	9,895.12	8,713.39
Net profit	4,037.78	3,776.29	6.92	5,276.62	7,910.71	6,832.16
Net profit attributable to shareholders of the Bank	3,492.16	3,175.21	9.98	5,081.30	7,520.35	6,526.34
Per share (in RMB)			Change			
Net assets per share attributable to shareholders of the Bank ⁽³⁾	6.22	6.13	0.09	6.08	5.97	5.39
Basic earnings per share ⁽⁴⁾	0.25	0.26	(0.01)	0.45	0.77	0.67

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2022	2021	Comparison between 2022 and 2021	2020	2019	2018
Scale indicators			Change			
Total assets	1,233,454.45	1,161,628.63	71,825.82	1,027,871.65	894,154.29	763,289.60
Among which: loans and advances to customers, net	669,117.87	637,553.81	31,564.06	553,168.34	463,051.37	364,967.97
Total liabilities	1,145,205.35	1,074,743.36	70,461.99	951,986.34	820,444.98	707,708.53
Among which: customer deposits	910,485.03	849,766.80	60,718.23	778,424.85	658,243.09	542,335.16
Equity attributable to shareholders of the Bank	81,078.57	80,027.31	1,051.26	69,487.08	68,346.69	52,861.33
Non-controlling interests	7,170.53	6,857.96	312.57	6,398.23	5,362.62	2,719.74
Total equity	88,249.10	86,885.27	1,363.83	75,885.31	73,709.31	55,581.07

SUMMARY OF FINANCIAL DATA

Item (Expressed in percentage)	For the year ended 31 December					
	Comparison between 2022 and 2021			2020	2019	2018
	2022	2021	Change			
Profitability indicators			Change			
Return on average total assets ⁽⁵⁾	0.34	0.34	0.00	0.55	0.95	0.91
Return on average equity ⁽⁶⁾	4.40	4.43	(0.03)	7.10	13.24	13.13
Net interest spread ⁽⁷⁾	1.71	2.01	(0.30)	1.98	2.71	2.32
Net interest margin ⁽⁸⁾	1.69	2.00	(0.31)	2.01	2.65	2.17
Net fee and commission income to operating income ⁽⁹⁾	6.13	5.62	0.51	6.25	5.76	6.13
Cost-to-income ratio ⁽¹⁰⁾	31.37	26.08	5.29	31.95	27.25	28.05

Item (Expressed in percentage)	As at 31 December					
	Comparison between 2022 and 2021			2020	2019	2018
	2022	2021	Change			
Assets quality indicators			Change			
Non-performing loan ratio ⁽¹¹⁾	2.11	1.83	0.28	1.81	1.73	1.27
Provision coverage ratio ⁽¹²⁾	156.93	167.04	(10.11)	154.85	208.09	276.64
Allowance to total loans ⁽¹³⁾	3.31	3.06	0.25	2.81	3.61	3.52
Capital adequacy indicators			Change			
Core Tier 1 capital adequacy ratio ⁽¹⁴⁾	9.21	9.68	(0.47)	9.20	9.96	10.50
Tier 1 capital adequacy ratio	10.56	11.06	(0.50)	10.74	11.65	10.53
Capital adequacy ratio	12.59	13.09	(0.50)	12.56	14.23	14.28
Ratio of total equity to total assets	7.15	7.48	(0.33)	7.38	8.24	7.28

Item (Expressed in percentage)	As at 31 December					
	Comparison between 2022 and 2021			2020	2019	2018
	2022	2021	Change			
Other indicators			Change			
Loan-to-deposit ratio ⁽¹⁵⁾	76.00	77.39	(1.39)	73.09	72.92	69.70

SUMMARY OF FINANCIAL DATA

Notes :

- (1) Since 2020, the Group reclassified the installment income of credit card from fee income to interest income, and restated the data from 2018 to 2019, hence the indicators of net interest margin, net interest yield and the ratio of fee and commission income against the operating income were restated simultaneously.
- (2) In accordance with the new accounting standards on financial instruments and the disclosure requirements related to the financial statements, impairment losses in 2018 to 2022 included credit impairment losses and impairment losses on other assets in the consolidated statement of profit or loss.
- (3) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (4) The preference shares dividends, which was paid in the first half of 2022, has been deducted for this indicator.
- (5) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (6) Calculated by dividing the net profit for the period (excluding the preference shares dividends declared in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (7) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (8) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (9) Calculated by dividing net fee and commission income by operating income.
- (10) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (11) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (12) Calculated by dividing the balance of allowance for loan losses (including discount) by the balance of non-performing loans.
- (13) Calculated by dividing the balance of allowance for loan losses (including discount) by the total loans and advances to customers.
- (14) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)".
Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%
Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%
Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%
- (15) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

REGULATORY ENVIRONMENT AND ECONOMIC AND FINANCIAL OUTLOOK

In 2022, affected by external factors such as the spillover of the Russia-Ukraine conflict and the unusual interest rate hikes in developed economies, as well as the frequent outbreak of domestic pandemic in China, our economic development confronted the triple pressure of shrinking demand, supply shocks and weakening expectations, but the long-term positive fundamentals of China's economy remain unchanged and the favourable conditions for building a new development pattern remained unchanged. Under the strong leadership of the Party Central Committee, the annual GDP amounted to approximately RMB121 trillion and the annual economic growth rate was 3.0%, demonstrating strong resilience and vitality. Demand side analysis: in terms of consumption, the overall recovery of consumption in China remained slow and the recovery of food and beverage services consumption still needed to be consolidated this year due to the sporadic spread of the pandemic; in terms of investment, real estate market activity remained sluggish, and indicators related to investment, new constructions and land acquisitions continued to slump, but investment in manufacturing and infrastructure continued to gain momentum, becoming the main factors driving investment growth; in terms of exports, due to factors such as a relatively high base and slowing external demand, the growth rate of China's exports to major developed economies has fallen, but against the backdrop of high global inflation and geopolitical conflicts, the product cost advantage and industrial chain advantage in China maintained a certain degree of resilience in export growth, with exports to ASEAN maintaining high growth and becoming the main contributor to exports.

In order to fully respond to the impact of various environmental and policy factors, optimize the economic growth structure and better return the potential growth rate of the economy during the "14th Five-Year Plan" period, China has stepped up counter-cyclical and cross-cyclical regulation and control with proactive fiscal policy to ensure the bottom line of the "three guarantees" at the grassroots level, strengthened the management and control of local hidden debt risks, and kept steady monetary policy with a reasonable abundance of liquidity, and fully utilised structural policy tools to promote a steady decrease in comprehensive financing cost for enterprises. The financial regulation adhered to bottom-line thinking, focused on mending shortcomings, promoting development and benefiting people's livelihood under the premise of risk prevention, guided banks to co-ordinate and balance the relationship between business expansion, profit growth and risk prevention, and continuously strengthened the high quality and stability of financial services for the real economy. Precise pandemic preventive measures promoted the normalisation of social and economic activities, providing strong protection for social governance and economic operations. The institutional mechanism for local financial regulation continued to improve, actively assumed local responsibility for risk management of local person financial institutions, constantly strengthened the handling of non-compliance and maintained local financial stability.

In 2023, under the correct guidance of the 20th National Congress of the Communist Party of China, and with the guidance of investment and close coordination of fiscal and monetary policies, China will fully implement the strategy of expanding domestic demand and organically link up with deepening the structural reform on the supply side, attracting global resource elements through the domestic circulation, enhancing the linkage effect of two resources in the domestic and international markets, upgrading the quality and level of trade and investment cooperation, and focusing on developing the real economy, stabilising food and energy security and financial stability. In 2023, the financial regulatory policy will further strengthen the constraints and guidance on commercial banks and other financial institutions, enhance the construction of a financial safety and security system, and guard the bottom line against systemic risks. As the mainstay of China's financial system, the banking industry shall increase its financial support to the key areas of economic stability, provide medium- and long-term capital support to advanced manufacturing industries and strategic emerging industries, and provide normalisation financial supply to inclusive small and micro enterprises and "Sannong", so as to promote its own effective improvement in quality and reasonable growth in quantity through serving the high-quality development of the real economy.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGY AND DEVELOPMENT PROSPECT

In 2022, under the guidance of the 14th Five-Year Strategic Plan, the Bank insisted on focusing on the main responsibilities and main business, explored the local origin, overcame difficulties to promote business transformation and development and asset quality control, firmly implemented the “customer doubling plan”, served the rural revitalization, supported agriculture and small and medium-sized enterprises, optimized the product system, continuously enhanced service efficiency, deeply promoted reform and innovation in four major areas, namely operation and management mode, recruitment and employment mechanism, risk management mechanism and performance assessment mechanism to enhance management, control risk and optimize structure, maintain steady growth in business scale, ensure the stable asset quality and continuously strengthen business characteristics.

In accordance with the “1+4” strategic planning, the Bank promoted the transformation of characteristic business models in an all-round way, made full efforts conduct the four major campaigns, and solidly pushed forward various strategic key initiatives in 2022. In the aspect of rural finance, it promoted the hierarchical management of village communities, carried out the name list system tracking management of key village communities and agriculture-related projects, vigorously promoted the whole village credit model, and continuously expanded the agriculture-related scenarios. In the aspect of industrial finance, the Bank strengthened marketing in key industries, promote the industrial Internet model and the industrial park model, made innovative development and launch of many exclusive products, and increase credit support in key areas, such as state-owned enterprises, science and technology enterprises, enterprises that use special and sophisticated technologies and green development. In the aspect of consumer finance, it optimized and upgraded the product system, streamlined the business handling process, vigorously promoted online and offline consumer loans, accelerated the transformation of credit card business, and realize the rapid growth of large-amount installment business and the decrease of the non-performing loans ratio. In terms of wealth finance, the bank promoted the hierarchical customer separation mechanism, built seven major wealth product systems and 18 product strategies, and made more efforts to promote the construction of investment research and investment counselor teams and the optimization and upgrading of business management systems.

In 2022, with the leadership of comprehensive strengthening of party building, the Bank focused on optimizing the corporate governance and information disclosure system, effectively implemented capital management and capital replenishment, and continued to improve the efficiency of resource allocation; carried out in-depth management reform and innovation, launched integrated marketing reform, continued to deepen the operation decentralization, and strongly developed retail, inclusive micro and small and medium-sized enterprise services; promoted the activity of “Asset Quality Year” steadily, and established asset risk classification and hierarchical management mechanisms with seven-level classification and four-level management; continuously improved the recruitment and employment mechanisms, strengthened the construction of talent team; optimized performance assessment mechanism around “increasing deposit size, enhancing asset quality, improving operating income and optimizing loan structure”, and effectively gave play to the incentive and constraint role of performance appraisal; optimize the technology management and organization mechanism, and promote brand promotion and corporate culture construction.

MANAGEMENT DISCUSSION AND ANALYSIS

2023 is an important year for implementing the spirit of the 20th National Congress of the Communist Party of China and promoting Chinese modernization, and a critical year for deepening the transformation, making comprehensive efforts and carrying forward the 14th Five-Year Plan. The Bank will make scientific adjustment in its development strategy and business objectives based on the phased requirements of the development strategy planning as well as the forward-looking prediction of domestic and foreign macroeconomic situation, further strengthen its responsibilities as a municipal-level state-owned financial enterprise, fully serve the overall situation of high-quality development for provinces and cities, firmly support the real economy, prevent and defuse major risks, fully implement and refine the four major tasks, strengthen compliance management, consolidate the achievements of strategic transformation, and continue to make reform and development more effective.

In 2023, the Bank will adhere to the general principle of making progress while maintaining stability, and follow the general thought of “stabilizing growth, adjusting structure, controlling risks, and improving efficiency”, to attach importance on promoting business transformation, optimizing business structure, deepening reform and innovation and reinforcing capacity building. The Bank will insist on compliance-based approach to enhance the compliance and risk control management in a comprehensive manner with the “Year of Compliance Establishment”; serve the overall situation to promote business structural optimization with sticking to the orientation of development; strengthen customer base to expand the scale and lay a solid foundation with the customer doubling plan; and insist on reform and innovation to stimulate the vitality of operation with the reform of outlet operation models. In 2023, the Bank will make great efforts to develop four characteristic businesses, deeply advance the management reform, intensify assets quality control, promote structural optimization, make transformation and productivity improvement, improve quality and expand quantity, and strive to achieve high quality development of business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Interest income	43,818.40	42,565.95	1,252.45	2.94
Interest expense	(25,236.38)	(23,006.79)	(2,229.59)	9.69
Net interest income	18,582.02	19,559.16	(977.14)	(5.00)
Fee and commission income	1,697.76	1,639.91	57.85	3.53
Fee and commission expense	(315.68)	(320.84)	5.16	(1.61)
Net fee and commission income	1,382.08	1,319.07	63.01	4.78
Net trading gains	1,077.38	2,042.79	(965.41)	(47.26)
Net gains or losses on financial investments	510.11	343.93	166.18	48.32
Other operating income, net	993.06	215.58	777.48	360.65
Operating income	22,544.65	23,480.53	(935.88)	(3.99)
Operating expenses	(7,346.18)	(6,420.27)	(925.91)	14.42
Credit impairment losses	(10,626.00)	(12,540.17)	1,914.17	(15.26)
Impairment losses on other assets	(62.12)	(62.80)	0.68	(1.08)
Profit before income tax	4,510.35	4,457.29	53.06	1.19
Income tax expense	(472.57)	(681.00)	208.43	(30.61)
Net profit	4,037.78	3,776.29	261.49	6.92

In 2022, the Group recorded a profit before income tax of RMB4,510 million, representing a year-on-year increase of 1.19%, and a net profit of RMB4,038 million, representing a year-on-year increase of 6.92%. Profit before income tax and net profit increased year on year, mainly due to: firstly, the Group strengthened the risk management of credit assets and the collection and disposal of non-performing assets, and the impairment loss of assets decreased as compared with last year; secondly, the increase in exchange gain of the Bank due to the impact of exchange rate.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Net Interest Income

In 2022, the net interest income of the Group amounted to RMB18,582 million, representing a year-on-year decrease of RMB977 million, or 5.00%, and accounting for 82.42% of our total operating income. It was mainly due to the impact of supporting the real economy, asset yields declined, resulting in a slower growth in interest income, while the scale of liabilities increased, driving a year-on-year increase in interest expenses.

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Interest income	43,818.40	42,565.95	1,252.45	2.94
Interest expense	(25,236.38)	(23,006.79)	(2,229.59)	9.69
Net interest income	18,582.02	19,559.16	(977.14)	(5.00)

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2022			For the twelve months ended 31 December 2021		
	Average balance	Interest income/ expense	Average yield/ cost rate (%)	Average balance	Interest income/ expense	Average yield/ cost rate (%)
Loans and advances to customers	664,045.00	32,739.73	4.93	612,481.73	32,481.75	5.30
Financial investments	253,952.98	7,994.14	3.15	191,393.69	6,729.58	3.52
Placements and deposits with banks and other financial institutions	59,209.79	1,331.98	2.25	50,697.27	1,332.67	2.63
Financial assets held under resale agreements	47,380.97	841.16	1.78	40,055.83	919.82	2.30
Due from central bank	72,771.10	911.39	1.25	81,360.20	1,102.13	1.35
Total interest-earning assets	1,097,359.84	43,818.40	3.99	975,988.72	42,565.95	4.36
Customer deposits	860,553.60	19,078.19	2.22	793,286.32	17,760.62	2.24
Placements and deposits from banks and other financial institutions and others	58,383.23	1,461.72	2.50	62,303.76	1,731.17	2.78
Financial assets sold under repurchase agreements	21,668.01	320.92	1.48	16,212.28	343.08	2.12
Debt securities issued	135,428.30	3,612.23	2.67	87,441.46	2,746.37	3.14
Borrowing from central bank	31,299.68	763.32	2.44	19,195.37	425.55	2.22
Total interest-bearing liabilities	1,107,332.82	25,236.38	2.28	978,439.19	23,006.79	2.35
Net interest income		18,582.02			19,559.16	
Net interest spread			1.71			2.01
Net interest margin			1.69			2.00

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, compared with the corresponding period of last year, the Group's overall average yield of interest earning assets decreased by 37 basis points to 3.99%, the overall average cost rate of interest-bearing liabilities decreased by 7 basis points to 2.28%, net interest spread decreased by 30 basis points to 1.71%, and net interest margin decreased by 31 basis point to 1.69%.

The following table sets forth changes in the Group's interest income and interest expense as compared to the corresponding period of last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		Net increase/decrease
	Volume factor	Rate factor	
Assets			
Loans and advances to customers	2,734.56	(2,476.58)	257.98
Financial investments	2,199.64	(935.08)	1,264.56
Placements and deposits with banks and other financial institutions	223.77	(224.46)	(0.69)
Financial assets held under resale agreements	168.21	(246.87)	(78.66)
Deposits with central bank	(116.35)	(74.39)	(190.74)
Changes in interest income	5,209.83	(3,957.38)	1,252.45
Liabilities			
Due to customers	1,506.02	(188.45)	1,317.57
Placements, deposits and others from banks and other financial institutions	(108.94)	(160.51)	(269.45)
Financial assets sold under repurchase agreements	115.45	(137.61)	(22.16)
Debt securities issued	1,507.18	(641.32)	865.86
Borrowing from central bank	268.35	69.42	337.77
Changes in interest expense	3,288.06	(1,058.47)	2,229.59

MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

In 2022, interest income of the Group amounted to RMB43,818 million, representing a year-on-year increase of RMB1,252 million or 2.94%.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2022			For the twelve months ended 31 December 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	411,713.16	22,128.05	5.37	388,501.81	21,988.14	5.66
Personal loans	162,097.43	8,735.78	5.39	147,331.89	8,362.50	5.68
Discounted bills	90,234.41	1,875.90	2.08	76,648.03	2,131.11	2.78
Total loans and advances to customers	664,045.00	32,739.73	4.93	612,481.73	32,481.75	5.30

Interest income from loans and advances to customers amounted to RMB32,740 million, representing a year-on-year increase of RMB258 million, or 0.79%, and the average yield decreased by 37 basis points to 4.93% as compared with last year.

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2022			For the twelve months ended 31 December 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits with banks and other financial institutions	59,209.79	1,331.98	2.25	50,697.27	1,332.67	2.63
Financial assets held under resale agreements	47,380.97	841.16	1.78	40,055.83	919.82	2.30
Total amounts due from banks and other financial institutions	106,590.76	2,173.14	2.04	90,753.10	2,252.49	2.48

In 2022, the interest of amounts due from banks and other financial institutions of the Group amounted to RMB2,173 million, representing a year-on-year decrease of RMB79 million, or 3.52%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expense

In 2022, the Group's interest expense increased by RMB2,230 million, or 9.69%, to RMB25,236 million as compared to the corresponding period of last year.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2022			For the twelve months ended 31 December 2021		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	158,729.55	922.34	0.58	161,968.52	863.15	0.53
Time	204,014.82	6,718.73	3.29	194,329.68	6,810.56	3.50
Subtotal	362,744.37	7,641.07	2.11	356,298.20	7,673.71	2.15
Personal deposits						
Demand	128,434.01	375.57	0.29	123,256.78	389.25	0.32
Time	347,054.24	10,636.57	3.06	293,084.59	9,305.47	3.18
Subtotal	475,488.25	11,012.14	2.32	416,341.37	9,694.72	2.33
Other deposits	22,320.98	424.98	1.90	20,646.75	392.19	1.90
Total amounts due to customers	860,553.60	19,078.19	2.22	793,286.32	17,760.62	2.24

In 2022, the Group's interest expense on amounts due to customers amounted to RMB19,078 million, representing a year-on-year increase of RMB1,318 million, or 7.42%,

In 2022, the Group's average cost rate of deposits was 2.22%, representing a decrease of 2 basis points year-on-year. It was mainly due to lower deposit rates as a result of the optimisation of the deposit structure.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2022			For the twelve months ended 31 December 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits from banks and other financial institutions and others	58,383.23	1,461.72	2.50	62,303.76	1,731.17	2.78
Financial assets sold under repurchase agreements	21,668.01	320.92	1.48	16,212.28	343.08	2.12
Total amounts due to banks and other financial institutions	80,051.24	1,782.64	2.23	78,516.04	2,074.25	2.64

In 2022, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB1,783 million, representing a year-on-year decrease of RMB292 million, or 14.06%, which was primarily due to the decrease in the interbank debt interest rate of the Group arising from the downward impact of money market interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Non-interest Income

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Fee income from agency and custodian business	375.12	347.51	27.61	7.95
Syndicated loan service fees	305.14	292.39	12.75	4.36
Fee income from wealth management products	239.34	124.29	115.05	92.57
Fee income from bank card business	197.33	232.32	(34.99)	(15.06)
Guarantee and commitment fee income	143.19	191.62	(48.43)	(25.27)
Fee income from settlement and electronic channel business	175.52	182.00	(6.48)	(3.56)
Financial leasing fee income	118.87	77.77	41.10	52.85
Fee income from advisory and consulting business	16.03	44.56	(28.53)	(64.03)
Fee income from foreign exchange business	2.00	16.84	(14.84)	(88.12)
Others	125.22	130.61	(5.39)	(4.13)
Subtotal	1,697.76	1,639.91	57.85	3.53
Fee and commission expense:				
Fee expense on bank card business	(63.05)	(71.80)	8.75	(12.19)
Fee expense on settlement and electronic channel business	(31.33)	(23.97)	(7.36)	30.71
Others	(221.30)	(225.07)	3.77	(1.68)
Subtotal	(315.68)	(320.84)	5.16	(1.61)
Net fee and commission income	1,382.08	1,319.07	63.01	4.78

In 2022, the net fee and commission income of the Group amounted to RMB1,382 million, representing a year-on-year increase of RMB63 million, or 4.78%, and accounting for 6.13% of our total operating income. It mainly consists of the fee income from agency and custodian business, syndicated loan business, wealth management products and bank card business.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Net trading gains*

In 2022, the net trading gains of the Group amounted to RMB1,077 million, which were mainly the interest income on financial investments at fair value through profit or loss and profit or loss on changes in fair value.

3. *Net gains or losses on financial investments*

In 2022, the net gains on financial investments of the Group amounted to RMB510 million, which were mainly the financial investments at fair value through other comprehensive income and bid-ask spread of financial investments at amortized cost.

4. *Other operating income, net*

In 2022, the net other operating income of the Group amounted to RMB993 million, which was mainly interest rate swap incentives and exchange gains and losses of the PBOC.

(III) *Operating Expenses*

In 2022, the operating expenses of the Group amounted to RMB7,346 million, representing an increase of RMB926 million or 14.42% year on year.

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Staff costs	4,855.35	3,942.37	912.98	23.16
Tax and surcharges	272.85	296.88	(24.03)	(8.09)
Depreciation and amortization	714.67	877.51	(162.84)	(18.56)
Others	1,503.31	1,303.51	199.80	15.33
Total operating expenses	7,346.18	6,420.27	925.91	14.42

MANAGEMENT DISCUSSION AND ANALYSIS

1. Staff costs

Staff costs represent the largest component of operating expenses of the Group, accounting for 66.09% and 61.41% of our operating expenses for the years ended 31 December 2022 and 2021, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Salaries, bonuses and allowances (include early retirement)	3,323.76	2,507.31	816.45	32.56
Social insurance, employee benefits and others	1,531.59	1,435.06	96.53	6.73
Total staff costs	4,855.35	3,942.37	912.98	23.16

The Group has implemented the periodic management for the Group's payroll from 2021 to 2023. In 2022, staff costs of the Group amounted to RMB4,855 million, representing a year-on-year increase of RMB913 million, or 23.16%.

2. Tax and surcharges

In 2022, tax and surcharges of the Group incurred amounted to RMB273 million, representing a year-on-year decrease of RMB24 million, or 8.09%.

3. Depreciation and amortization

In 2022, depreciation and amortization of the Group was RMB715 million, representing a year-on-year decrease of RMB163 million, or 18.56%.

4. Others

In 2022, other expenses of the Group amounted to RMB1,503 million, representing a year-on-year increase of RMB200 million, or 15.33%.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Impairment Losses on Assets

The following table sets forth the principal components of impairment losses on assets of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2022	For the year ended 31 December 2021	Change in amount	Rate of change (%)
Credit impairment losses	10,626.00	12,540.17	(1,914.17)	(15.26)
Impairment losses on other assets	62.12	62.80	(0.68)	(1.08)
Total	10,688.12	12,602.97	(1,914.85)	(15.19)

In 2022, the provisions for impairment losses on assets of the Group amounted to RMB10,688 million. Among them, provision for credit impairment losses amounted to RMB10,626 million.

(V) Income Tax Expense

In 2022, income tax expense of the Group amounted to RMB473 million, representing a year-on-year decrease of RMB208 million, mainly due to the increase in tax-exempt income. The effective income tax rate was 10.48%.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

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

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	691,971.92	56.10	657,662.93	56.61
Allowances for impairment losses	(22,854.05)	(1.85)	(20,109.12)	(1.73)
Loans and advances to customers, net	669,117.87	54.25	637,553.81	54.88
Financial investments ⁽¹⁾	349,437.11	28.33	314,238.52	27.05
Cash and deposits with the central bank	87,256.14	7.07	86,264.99	7.43
Deposits with banks and other financial institutions	7,764.64	0.63	20,275.41	1.75
Placements with banks and other financial institutions	43,468.97	3.52	33,951.90	2.92
Financial assets held under resale agreements	57,474.33	4.66	53,049.06	4.57
Others ⁽²⁾	18,935.39	1.54	16,294.94	1.40
Total assets	1,233,454.45	100.00	1,161,628.63	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets and others.

As at 31 December 2022, the Group's total assets amounted to RMB1,233,454 million, representing an increase of RMB71,826 million, or 6.18%, as compared to the end of last year. Among which, the total loans and advances to customers increased by RMB34,309 million, or 5.22%, as compared to the end of last year, primarily due to the continuously increased support for the real economy by the Group, resulting in the steady growth of the loan scale. Financial investments increased by RMB35,199 million, or 11.20%, as compared to the end of last year, primarily due to the increase in bond investment.

Placements with banks and other financial institutions increased by RMB9,517 million or 28.03% compared with the end of last year, primarily due to the increase in placements with banks and other financial institutions based on market conditions and intra-group balance sheet arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	440,584.66	63.67	407,026.69	61.89
Personal loans	165,958.71	23.98	158,429.47	24.09
Discounted bills	85,428.55	12.35	92,206.77	14.02
Total loans and advances to customers	691,971.92	100.00	657,662.93	100.00

As at 31 December 2022, total loans and advances to customers of the Group increased by RMB34,309 million, or 5.22%, to RMB691,972 million as compared to the end of last year. As compared to the end of last year, the Group's total corporate loans increased by RMB33,558 million, or 8.24%, to RMB440,585 million; total personal loans increased by RMB7,529 million, or 4.75%, to RMB165,959 million; and total discounted bills decreased by RMB6,778 million, or 7.35%, to RMB85,429 million.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total Corporate loans	440,584.66	63.67	407,026.69	61.89
Working capital loans	182,194.84	26.33	159,082.04	24.19
Fixed asset loans	237,304.27	34.29	223,868.81	34.04
Finance lease receivables	20,841.89	3.01	18,748.05	2.85
Others	243.66	0.04	5,327.79	0.81
Total Personal loans	165,958.71	23.98	158,429.47	24.09
Personal mortgage loans	73,570.72	10.63	73,343.81	11.15
Personal business loans	71,236.82	10.29	65,285.62	9.93
Personal consumption loans	10,999.74	1.59	10,051.30	1.53
Balance of credit cards	10,151.43	1.47	9,748.74	1.48
Total Discounted bills	85,428.55	12.35	92,206.77	14.02
Bank acceptance bills	76,074.87	11.00	92,040.23	13.99
Commercial acceptance bills	9,353.68	1.35	166.54	0.03
Total loans and advances to customers	691,971.92	100.00	657,662.93	100.00

As at 31 December 2022, the Group's working capital loans, fixed asset loans and finance lease receivables amounted to RMB182,195 million, RMB237,304 million and RMB20,842 million, respectively, representing 41.35%, 53.86% and 4.73% of our total corporate loans, respectively, with an increase of RMB23,113 million or 14.53%, RMB13,435 million or 6.00%, and RMB2,094 million or 11.17%, as compared to the end of last year.

As at 31 December 2022, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards amounted to RMB73,571 million, RMB71,237 million, RMB11,000 million and RMB10,151 million, respectively, representing 44.33%, 42.92%, 6.63% and 6.12% of our total personal loans, respectively. Among which, personal business loans and personal mortgage loans increased by RMB5,951 million and RMB227 million, or 9.12% and 0.31%, as compared to the end of last year, respectively, while personal consumption loans and balance of credit cards increased by RMB948 million and RMB403 million, or 9.44% and 4.13%, as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, the discounted bank acceptance bills and discounted commercial acceptance bills of the Group amounted to RMB76,075 million and RMB9,354 million, respectively. Among which, discounted bank acceptance bills decreased by RMB15,965 million, as compared to the end of last year, and discounted commercial acceptance bills increased by RMB9,187 million, as compared to the end of last year.

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	331,676.97	47.93	324,521.95	49.34
Pledged loans	36,930.81	5.34	36,011.48	5.48
Guaranteed loans	163,524.69	23.63	164,409.82	25.00
Unsecured loans	159,839.45	23.10	132,719.68	20.18
Total loans and advances to customers	691,971.92	100.00	657,662.93	100.00

As at 31 December 2022, the collateralized loans, pledged loans and Unsecured loans of the Group increased by RMB7,155 million, RMB919 million and RMB27,120 million, or 2.20%, 2.55% and 20.43%, as compared to the end of last year, respectively. The guaranteed loans decreased by RMB885 million, or 0.54%, as compared to the end of last year. The proportion of collateralized and pledged loans to total loans was 53.27%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Investments

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

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	81,974.53	23.46	91,628.57	29.16
Financial assets at fair value through other comprehensive income	70,945.26	20.30	65,205.25	20.75
Financial assets measured at amortized cost	196,517.32	56.24	157,404.70	50.09
Total investments	349,437.11	100.00	314,238.52	100.00

As at 31 December 2022, total investments of the Group increased by RMB35,199 million, or 11.20%, to RMB349,437 million as compared to the end of last year.

(II) Liabilities

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

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	910,485.03	79.51	849,766.80	79.07
Deposits from banks and other financial institutions	29,324.94	2.56	36,226.68	3.37
Placements from banks and other financial institutions	3,342.94	0.29	1,331.55	0.12
Financial assets sold under repurchase agreements	38,717.32	3.38	32,359.98	3.01
Debt securities issued	124,580.53	10.88	108,033.56	10.05
Others ⁽¹⁾	38,754.59	3.38	47,024.79	4.38
Total liabilities	1,145,205.35	100.00	1,074,743.36	100.00

Note:

- (1) Mainly included tax payable, borrowings from central bank and salaries, bonuses, allowances and subsidies payable and others.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, total liabilities of the Group increased by RMB70,462 million, or 6.56%, to RMB1,145,205 million as compared to the end of last year. The amount due to customers stably increased by RMB60,718 million, or 7.15%, as compared to the end of last year, in which its proportion to the liabilities of the Group remained at a relatively high level.

1. Due to customers

The following table sets forth the amount due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits⁽¹⁾				
Time	189,613.48	20.83	200,646.03	23.61
Demand	168,622.67	18.52	179,302.17	21.10
Subtotal	358,236.15	39.35	379,948.20	44.71
Personal deposits				
Time	385,050.63	42.29	327,913.87	38.59
Demand	131,603.21	14.45	125,691.46	14.79
Subtotal	516,653.84	56.74	453,605.33	53.38
Pledged deposits	33,083.27	3.63	13,370.52	1.57
Other deposits⁽²⁾	2,511.77	0.28	2,842.75	0.34
Due to customers	910,485.03	100.00	849,766.80	100.00

Notes:

(1) Mainly included deposits from corporate customers and government bodies.

(2) Mainly included treasury time deposits and fiscal deposits.

As at 31 December 2022, the amount due to customers increased by RMB60,718 million, or 7.15%, to RMB910,485 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 56.74% of our total amount due to customers, and the balance of personal deposits increased by RMB63,049 million, or 13.90%, as compared to the end of last year; corporate deposits accounted for 39.35% of our total amount due to customers, and the balance of corporate deposits decreased by RMB21,712 million, or 5.71%, as compared to the end of last year. With respect to the maturity structure, the balance of demand deposits accounted for 32.97% of our total amount due to customers, representing a decrease of 2.92 percentage points over the end of last year, while the balance of time deposits (excluding pledged and other deposits) accounted for 63.12%, representing an increase of 0.92 percentage points over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Composition of Shareholders' Equity

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

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	11,451.27	12.98	11,451.27	13.18
Preference shares	9,820.73	11.13	9,820.73	11.30
Capital reserve	18,951.20	21.47	18,957.88	21.82
Surplus reserve	5,650.36	6.40	5,350.06	6.16
General risk reserve	15,770.29	17.87	14,618.36	16.82
Investment revaluation reserve	(505.15)	(0.57)	87.38	0.10
Remeasurement gains on defined benefit plans	(54.65)	(0.07)	(35.72)	(0.04)
Retained earnings	19,994.52	22.66	19,777.35	22.76
Non-controlling interests	7,170.53	8.13	6,857.96	7.90
Total shareholders' equity	88,249.10	100.00	86,885.27	100.00

As at 31 December 2022, the Group recorded a paid-in capital of RMB11,451 million, capital reserve of RMB18,951 million and retained earnings of RMB19,995 million. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

III. LOAN QUALITY ANALYSIS

(I) Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	624,007.98	90.18	618,543.63	94.05
Special mention	53,366.69	7.71	27,069.39	4.12
Substandard	5,745.54	0.83	5,569.33	0.85
Doubtful	8,013.10	1.16	5,930.98	0.90
Loss	838.61	0.12	549.60	0.08
Total loans and advances to customers	691,971.92	100.00	657,662.93	100.00
Non-performing loan ratio⁽¹⁾	–	2.11	–	1.83

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complicated and difficult external environment in addition to the impacts of the COVID-19 and other factors, the Group continued to increase risk mitigation and non-performing disposal efforts. As at 31 December 2022, the non-performing loan ratio of the Group was 2.11%, which increased by 0.28 percentage point from the end of last year; the special-mentioned loan accounted for 7.71%, which increased by 3.59 percentage point from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022			As at 31 December 2021		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Leasing and commercial services	4,454.75	37.50	3.57	2,632.05	25.13	2.64
Wholesale and retail	4,435.86	37.34	7.60	4,794.14	45.77	7.35
Real estate	1,604.12	13.50	2.83	593.16	5.66	1.00
Manufacturing	567.84	4.78	1.18	649.33	6.20	1.54
Construction	184.30	1.55	0.50	918.12	8.77	2.36
Healthcare and social welfare	138.77	1.17	5.76	140.13	1.34	7.02
Agriculture, forestry, animal husbandry and fishery	118.60	1.00	1.08	127.16	1.21	1.29
Production and supply of electricity, heat, gas and water	93.39	0.79	2.02	0.91	0.01	0.03
Information transmission, software and information technology services	80.85	0.68	1.14	81.89	0.78	1.27
Household, repair and other services	58.75	0.49	0.28	81.42	0.78	0.46
Hotel and catering	49.15	0.41	0.37	48.75	0.47	0.27
Transportation, storage and postal services	45.01	0.38	0.26	307.35	2.93	3.13
Education	31.61	0.27	0.25	30.37	0.29	0.25
Water conservation, environment and public utilities management	0.02	0.00	0.00	0.02	-	-
Others	16.48	0.14	0.10	68.91	0.66	0.55
Total non-performing corporate loans	11,879.50	100.00	2.70	10,473.71	100.00	2.57

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

Under the complex external environment, combined with the impact of factors such as the COVID-19 pandemic, as at 31 December 2022, the Group's non-performing ratio of leasing and commercial services increased as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022			As at 31 December 2021		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Corporate loans	11,879.50	81.38	2.70	10,473.71	86.92	2.57
Personal loans	2,717.75	18.62	1.64	1,576.20	13.08	0.99
Personal residential mortgage	585.19	4.01	0.80	330.59	2.74	0.45
Personal business loans	1,102.78	7.55	1.55	761.27	6.32	1.17
Personal consumption loans	193.64	1.33	1.76	192.45	1.60	1.91
Balance of credit cards	836.14	5.73	8.24	291.89	2.42	2.99
Total non-performing loans	14,597.25	100.00	2.11	12,049.91	100.00	1.83

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complicated and difficult external environment in addition to the impact of the COVID-19 pandemic, as at 31 December 2022, non-performing loan ratio of the Group increased by 0.28 percentage point to 2.11% as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Overdue Loans to Customers

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	665,036.30	96.11	625,913.95	95.17
Loans that were past due	26,935.62	3.89	31,748.98	4.83
Within 3 months	11,960.02	1.73	14,125.91	2.15
3 months to 1 year	7,087.52	1.02	12,202.05	1.86
1 year to 3 years	5,090.02	0.74	5,136.30	0.78
Over 3 years	2,798.06	0.40	284.72	0.04
Total loans and advances to customers	691,971.92	100.00	657,662.93	100.00

As at 31 December 2022, overdue loans amounted to RMB26,936 million, representing a decrease of RMB4,813 million over the end of the previous year and accounting for 3.89%, representing a decrease of 0.94 percentage point as compared with the end of the previous year.

(V) Rescheduled Loans and Advances

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	23,003.54	3.32	19,530.39	2.97

Under the complex and severe external environment, overlaid with the impact of the COVID-19 outbreak and other factors, the Group adjusted the repayment terms of the loan contracts of some borrowers accordingly. As at 31 December 2022, the restructured loans and advances amounted to RMB23,004 million, representing an increase of RMB3,473 million as compared with the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by the weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022	As at 31 December 2021
Core Tier 1 capital adequacy ratio	9.21%	9.68%
Tier 1 capital adequacy ratio	10.56%	11.06%
Capital adequacy ratio	12.59%	13.09%
Portion of paid-in capital that may be included	11,451.27	11,451.27
Portion of capital reserve that may be included	18,951.20	18,957.88
Surplus reserve	5,650.36	5,350.06
General risk reserve	15,770.29	14,618.36
Retained earnings	19,994.52	19,777.35
Portion of minority interests that may be included	2,735.35	2,804.66
Others	(559.80)	51.65
Total core Tier 1 capital	73,993.19	73,011.23
Regulatory deductions for core Tier 1 capital	(4,145.51)	(1,393.51)
Of which: goodwill and other intangible assets (excluding land use rights)	(1,018.36)	(936.03)
Core Tier 1 capital, net	69,847.69	71,617.72
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	397.45	407.33
Net Tier 1 capital	80,065.87	81,845.78
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,999.14	9,999.00
Excessive loan loss allowances	4,575.53	4,259.50
Portion of minority interests that may be included	766.53	778.78
Net capital	95,407.08	96,883.06
Total risk-weighted assets	758,009.74	739,973.78

As at 31 December 2022, the Group's capital adequacy ratio was 12.59%, representing a decrease of 0.50 percentage points over the end of last year, mainly due to the growth rate of risk-weighted assets over the end of the last year exceeded that of net capital over the end of the last year. Net capital was RMB95,407 million, representing a decrease of RMB1,476 million or 1.52% over the end of the last year, mainly due to an increase in regulatory deductions for core Tier 1 capital. Risk-weighted assets amounted to RMB758,010 million, representing an increase of RMB18,036 million, or 2.44% over the beginning of the year, mainly due to the substantial increase in credit risk-weighted assets for on- and off-balance sheet businesses over the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF LEVERAGE RATIO

As at 31 December 2022, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) as follows:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2022
Net Tier 1 capital	80,065.87
The balance of assets on and off balance sheet after adjustments	1,314,220.01
Leverage ratio (%)	6.09%

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2022		2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	11,449.24	50.78	11,605.17	49.42
Retail banking business	8,932.27	39.62	7,592.03	32.33
Treasury business	1,659.03	7.36	3,906.22	16.64
Others	504.11	2.24	377.11	1.61
Total operating income	22,544.65	100.00	23,480.53	100.00

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items mainly include acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) generated in the course of ordinary business of the Group. As at 31 December 2022, the balances of acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) were RMB51,149 million, RMB32,556 million, RMB1,338 million and RMB150,325 million, respectively.

VIII. CONTINGENT LIABILITIES

For details of the Group's contingent liabilities as at 31 December 2022, please refer to note 40 and 42 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION

I. Corporate Banking Business

1. Corporate Deposit Business

In 2022, taking the “14th Five-Year Plan” strategic development plan as the general program, and focusing on “customer doubling”, the Bank prudently followed and grasped the main line of “stable growth of deposits”, and was committed to promoting the high-quality development of the corporate deposit business. During the Reporting Period, the Bank took multiple measures in advancing the “customer doubling” plan, accelerated the expansion of corporate deposit customers, focused on the marketing and expansion of the SME client base. The efficiency of expanding customer base and the quality of its customer bases has been significantly improved, the customer structure has been optimized and the deposit business has been enhanced steadily. The Bank firmly fought for the rural financial defense, consolidated the traditional advantages of the village community deposit business, implemented the hierarchy management of village community customers, accelerated the construction and application of rural financial service scenarios profoundly and thoroughly, carried out integrated comprehensive operation in a refined and specialized way, built a multi-district supervision system of rural collective owned funds through fully utilisation of product services including Cun Zi Bao, village affairs card, smart parking, Rong e-rent and e-Housekeeper to effectively improve the fund management of villages and community. The Bank continuously expanded the depth and breadth of bank-government cooperation, gave full play to its advantages of outlets’ distribution and as a local financial institution to vigorously expand the deposits of institutions at all levels, such as provinces, cities, towns and streets, and pushed forward the implementation of institutional business scenarios, creating a marketing ecological environment in which government institutions are the center and various businesses are mutually reinforced. As at the end of 2022, the Bank’s corporate deposits amounted to RMB363.1 billion, representing an increase of RMB11,600 million over the beginning of the year, and ranked third in terms of the scale of the point of time in the same industry in Guangzhou area.

2. Corporate Loan Business

In 2022, guided by the “14th Five-Year Plan” of the Central Government, provinces and municipalities as well as the bank-wide strategic development plan, the Bank focused on its main business and responsibilities in the local industry, firmly supported the development of the real economy, focused on strengthening the support of key industrial and enterprises in Guangdong province and Guangzhou, actively responded to the “Nansha Plan” via issuing specific implementation plans, and provided in-depth and solid local financial services. Having adhered to the original mission of being a domestic rural financial institution, the Bank constantly strengthened the financial services for small and medium-sized enterprises and agriculture-related enterprises, flexibly implemented the People’s Bank of China’s preferential policies on agricultural and small-scale refinancing loans and put its preferential treatment policies for enterprises into practice. The Bank continued to optimize the customer base structure of its corporate loans, constantly enhanced the fit and integration of its business development with local industries, and formulated a work plan for the automobile industry so as to support Guangzhou’s automobile and core components and parts industry chain to stabilize, supplement and strengthen the chain. The Bank accelerated the lending to customers in policy-supported areas such as green finance, advanced manufacturing and “specialized and new” industries. During the Reporting Period, the Bank’s

MANAGEMENT DISCUSSION AND ANALYSIS

Huadu Sub-branch was approved and upgraded to the Huadu Branch of the Green Finance Reform and Innovation Pilot Zone, which raised the development of green finance to an overall and strategic level. The successful issuance of the first tranche of green financial bonds of RMB3 billion in the national inter-bank bond market, further broadened the source of special funds and reduced the financial costs of green enterprises; launched “Green Enterprise Loan”, a comprehensive green financial product, to promote the development of green finance through innovative products. During the Reporting Period, the Bank’s company finance line researched, developed and launched the exclusive financial product “special new loan” to fully meet the comprehensive financing needs of specialized special new enterprises in terms of scientific and technological research and development, production and operation, acquisition of assets and digital upgrade etc.. The Bank comprehensively optimized its corporate credit products and initially constructed a corporate credit product system with clear target customers, clear access requirements and strict application management to provide normalized and standardized product support for business development. As of the end of 2022, the Bank’s corporate loan balance was RMB396.5 billion, representing an increase of RMB34.0 billion over the beginning of the year.

3. Trading Bank Business

The Bank’s trading bank business adheres to taking market and customer demands as guidance, strengthens scientific and technological empowerment, implements rural finance and industrial finance in a profoundly and refined manner, continues to make products innovative, and constantly enriches service scenarios. In 2022, the Bank established a refined R&D project management mechanism, improved the quality and efficiency of project construction, focused on sorting out the cash management business and supply chain business map, profoundly promoted business journey remodeling, and accelerated the digital transformation of its business. In 2022, in an effort to meet the customer demands, the Bank continued to optimize and innovate cash management products of “Cloud Treasury” and “Yun Xin Tong”, constantly improved the digital financial information management service function, and expanded the cash management service customer base. In 2022, the Bank improved its online supply chain service level through making electronic letter of credit system online and launching supply chain factoring business. In 2022, the Bank deeply cultivated its rural financial services, constantly enriched its “Smart Village” characteristic village community settlement products, and continued to empower the real economy and the rural revitalization and development.

During the Reporting Period, the Bank became the first local legal person bank to obtain the pilot qualification in Guangzhou city after it received the “Reply to the Filing of High-level Opening Pilot Business by Carrying out Cross-border Trade and Investment in Nansha New Area of Guangdong Free Trade Pilot Zone”, providing high-quality enterprises in the zone with high-level and opening convenient settlement services when they handle cross-border trade and investment.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Investment Banking Business

In 2022, the Bank gave full play to the license advantages as a local lead underwriter, adhered to the development concept of light capitalization, and focused on building an investment banking product system mainly covering direct financing, asset securitisation and structured financing, to support the development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”) with diversified investment banking products, and help Guangzhou to realize the new vitality as an old city. In 2022, the Bank took innovation as the driving force, assisted enterprises in issuing innovative bonds such as carbon neutrality bonds, special corporate bonds for the Greater Bay Area, and green bonds, so as to actively respond to national development strategies, and supported rural economic development through syndicated loans and other products. The Bank has been awarded the WIND Best Credit Bond Underwriter Excellence Award for 4 consecutive years and the Best Interbank Debt Financing Instrument Underwriter Excellence Award (by Rural Commercial Bank) for 3 consecutive years. Besides, it continued to win the Bond Underwriting Rapid Progress Award. Accordingly, there is a steady increase in the market recognition and brand awareness of the Bank.

II. Retail Finance Business

1. Retail Deposit Business

In 2022, the Bank’s retail deposit business adhered to the “customer-centered” concept, endeavored to do well in the following aspects of “stabilizing growth, increasing revenue, strengthening empowerment, and fostering compliance”, ensuring the steady growth of its retail deposits, and strived to increase market share steadily. It focused on customer needs, increased the number of differentiated and scenario-based deposit products, and kept optimizing and iterating its product functions, and has launched 14 deposit products with special features based on the scenarios of supporting agriculture and small enterprises and benefiting people's livelihood, such as village community customers, education and elderly care, and general and small customers. As of the end of 2022, the Bank's retail deposit scale remained the second in the industry ranking in Guangzhou, with the biggest annual deposit growth in history.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Retail Loan Business*

In 2022, to help consumption recover steadily, the Bank vigorously developed consumer finance, continuously improved its product system in retail credit business, continued to emphasize product innovation and seize the time to expand volume on the platform, and improved the market competitiveness of its products. In 2022, the Bank's retail credit business grew steadily. Firstly, its mortgage loans have been put into operation steadily, and with rich experience in real estate development loans and three-old reconstruction loan projects, the Bank has run personal mortgage loan business for 20 years, rolled out multiple product businesses, including first-hand and second-hand building mortgage loans, provident fund housing (portfolio) mortgage loans, e-loans for parking spaces, and mortgage loans of legal auction loan. At the same time, the Bank is one of the main undertaking banks of provident fund loans in Guangzhou. During the Reporting Period, the Bank established online and offline comprehensive core strategic partnerships with domestic well-known SOEs, first-tier real estate enterprises and leading mortgage intermediaries, etc., and comprehensively enriched the mortgage loan product system, and the mortgage loan business developed steadily. Secondly, the quality and efficiency of the Bank's consumer loans has been improved. In 2022, focusing on high-frequency convenience scenarios, it made the "Home Ecology" product system innovative through online and offline integration: (1) To meet the consumer demand of large and medium-sized goods such as household decoration, the Bank launched the "Jinmi Consumer E-Loan", which provides credit, guarantee, mortgage and other forms of guarantee, and provides online convenient services for wage earners, business owners, village community individuals, mortgage owners and other consumer groups; (2) It broadened access of customer bases, and enriched customer base types of "Jinmi Zhijian Loan". During the Reporting Period, the Bank successively opened its access to teaching staff, medical care staff, Nansha talent card customers, its AUM customers, non-local branches and other customer bases to provide customers with a faster and more convenient service experience. (3) There was a substantial increase in platform loans. In 2022, the Bank successfully developed loan business on three leading platform loans, namely, "JD Gold Bar", "Baidu UMONEY" and "XW HAO REN Loan", which injected a much-needed shot in the arm into its credit structure transformation and digital transformation, and accelerated the development and construction of the second batch of bank platform loans to help itself rapidly improve retail credit digital operation capability.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Wealth Management Business*

In 2022, the improvement and innovation of the Bank's wealth management business mainly focused on the four aspects, which were customer service management, product system construction, investment advisory services, and system support upgrading. During the Reporting Period, firstly, the Bank upgraded the retail customer hierarchical management and service system, completed the upgrade of the customer hierarchical service management system and the transformation of the wealth management center, and improved the professional and comprehensive service level of its wealth management. Secondly, it comprehensively enriched and optimized the wealth product system. Taking the customer life cycle as the "blueprint", according to product characteristics and the various needs in the customer's life journeys, and through the combination of inclusiveness and customization, the Bank constructed 7 Jinmi wealth product systems and 18 product strategies to create a one-stop and three-dimensional full product system. Thirdly, the Bank hoisted its investment advisory services, strengthened the construction of investment and research capacity, enriched and improved the transmission system of major asset allocation, provided professional and accompanying services in early, middle and late stages of investment, improved the professional wealth management capability of customer managers, and promote the experience improvement of both customers and employees. Fourthly, the Bank optimized the system support from the back-office business management end and the customer use end, created the wealth business comprehensive management platform, optimized the wealth business function of mobile banking, improved the timeliness and convenience of business processing, and escorted the long-term development of business.

In 2022, the Bank's wealth management business successively won multiple awards, including the "Wealth Management Bank Golden Bull Award" granted by China Securities Journal, the "Wealth Management Bank Golden Tripod Award for 2022" granted by National Business Daily, the "Golden Wealth Management Brand Gamma Award for 2022" granted by Securities Times and the "Best Private Bank Award of the Year" granted by New Express.

4. *Bank Card Business*

The Bank continued to enrich its debit card product series. On the basis of the existing card types and in conjunction with the local industry development model, it launched a series of local card types with exclusive features. In 2022, the Bank issued "Jinmi Rural Revitalization Card", a debit card that supports the "three supports and one assistance" project in Heyuan city and "Heyuan City Third-generation Social Security Card", which is the first social security card issued by a provincial non-local branch.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Credit Card Business

The Bank continuously improved the level of credit card information, digital and intelligent customer service, focusing on the principal axes of four main consumption scenarios of shopping, catering, mobility and entertainment to meet the people's increasingly rich needs for a better life. In 2022, firstly, the Bank enriched the product system, launched the American Express RMB Card, bringing rich and exclusive benefits for cardholders at home and abroad, online and offline. It cooperated with the leading platforms to launch home decoration installment products to meet the quality requirements of cardholders for building a beautiful home. It launched large-value installment convenient payment method to meet the needs of cardholders for convenient payment services. The Bank also provided DIY tailored service of credit card to meet the personalized financial needs of cardholders. Secondly, the Bank optimized the customer experience. Focusing on "simple" services, it reduced the number of data submissions to online channels by 12, and optimized the customer data submitting experience. Focusing on "convenience" services, the Bank built a one-stop approval mode, and optimized the customer experience of card verification. Focusing on "fast" services, it propelled the construction of customer tag portrait system and digital risk control system. Focusing on "precision" services, the Bank established and improved the internal approval case base and rapid adjustment mechanism, and improved the service accuracy. As of the end of 2022, the Bank issued 1,993,100 credit cards in total, representing an increase of 5.6% as compared to the end of last year.

III. Financial Market Business

In 2022, in terms of financial market business, the Bank adhered to the concept of prudent operation, closely followed and studied market changes, and continuously optimized the asset-liability structure. During the Reporting Period, the Bank's financial market business scale steadily expanded, and the quality and efficiency of operation steadily improved.

- (I) Continuous optimization of business structure and effective reduction of debt cost. In line with the macroeconomic situation and changes in monetary policy, the asset side of the Bank increased its investment in high-quality assets, actively explored and cultivated more profit growth points, and increased investment in interest rate bonds, monetary funds, high-quality inter-bank loans and other varieties. At the same time, the Bank took the initiative to seize the trend business opportunities, flexibly adjusted the phased business strategy, moderately reduced the scale of bill assets, and improved the efficiency of asset investment; the liability side effectively reduced the cost of inter-bank liabilities by strengthening the situation analysis, flexibly adjusting the structure of inter-bank liabilities, and intensified the overall management of the type, amount and duration of liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

- (II) The construction of core competence was gradually effective, and the market competitiveness continued to be on the increase. In 2022, the Bank scientifically and efficiently consolidated its investment and research construction, improved the accuracy and foresight of market trend judgment, and significantly enhanced its overall trading capacity. The structure of the three major accounts of bonds continued to be optimized, of which the scale of the held-to-maturity accounts continued to increase, consolidating the portfolio income base. The Bank used available-for-sale accounts to replay assets in a scientific and appropriate way, to increase interest margin income. The trading account adopted “interest margin strategy” to enhance the ability to resist interest rate risk. The coverage of interbank counterparties continued to expand, and the market activity and financial market brand influence further improved. As of the end of 2022, the Bank’s capital business transaction amount exceeded RMB11.8 trillion.
- (III) Through exploring and developing new business models, the efficiency of investment and trading was increasingly on the rise. In 2022, for the first time, the Bank carried out bond reverse repurchase transactions through X-REPO, opening up a new capital operation channel and further enriching its capital operation tools. For the first time, it tried the business model of bond lending of borrowed bonds, laying the foundation for the subsequent combination of various strategies. The Bank was successfully approved to apply for the X-BOND, X-REPO and the pledge repurchase request quotation business transaction interface of China Foreign Exchange Trading System, effectively improving its bond risk control and procedural trading level.

In 2022, the Bank successively received a number of prizes, including “the Best Progress Award” among the members of the underwriting syndicate of the China Development Bank, “the Best Rural Commercial Bank Award” among the members of the underwriting syndicate of the Agricultural Development Bank of China, “Top 100 Self-Settlement” awarded by China Central Depository & Clearing Co., Ltd., and “the Market Impact Award of the Year – Outstanding Trading Institution” of the inter-bank local currency market.

IV. Asset Management Business

In 2022, the Bank fully implemented the requirements of new regulations for asset management to ensure the steady development of wealth management business. As of the end of 2022, the balance of wealth management products of the Bank was RMB69,946 million.

In 2022, the Bank reshaped its wealth management product system, enhanced investor education and improve customer service. Firstly, it improved the product system, and rolled out the wealth management sub-brands of “Stable Wealth (穩富)”, “Adding Wealth (添富)”, “Jiafu (嘉富)”, “Ruifu (睿富)” and “Hongfu (鴻富)” according to the asset allocation status to meet the diversified needs of customers. Meanwhile, the Bank launched online FOF, T+1 cash management and other featured products, thus realizing the precise service chain of “product line – customer base – featured products” and further improving the refined customer service level. Secondly, we promoted omni-channel product promotion, regularly published results disclosure tweets and investor education tweets, opened up investor communication channels and promoted investor education work in a solid manner. Thirdly, we enhanced our investment and research support and strengthened our management capability. On the basis of strict control of credit risk, we actively responded

MANAGEMENT DISCUSSION AND ANALYSIS

to market changes with the help of our trading strategy “fixed income+”, and strived to achieve an effective balance between wealth management product returns and liquidity management. At the same time, it adhered to the concept of investment and research integration, and had been working solidly on credit rating and investment and research team building, focusing on the translation of research results and helping to enhance the active management capability of investments.

In 2022, the Bank’s comprehensive wealth management capability and multiple individual wealth management capabilities ranked at the top. It won multiple awards, including two awards from PYSTANDARD, called as “Excellent Large-scale Asset Management Rural Commercial Bank”, and “Excellent Cash Management Banking Financial Products”, and “the Third Session of Golden Sinan Award of China Asset Management Industry – Best Asset Management Rural Commercial Bank”.

V. Inclusive and Small and Micro Enterprises Businesses

The Bank actively implemented the “stabilizing economy” policy, and the effect of financial relief policy was remarkable. Firstly, the Bank increased the small and micro enterprises-supporting loans granting, during the Reporting Period, the Bank granted loans amounting to RMB19,341 million in accordance with the requirements for small and micro enterprises-supporting refinancing, covering 5,192 customers and ranking first among local legal entities in the province in terms of loan size. Secondly, in respect of deferred repayment of principal and interest, during the Reporting Period, the Bank extended the deferred repayment of principal and interest on loans of RMB7,643 million, helping and providing financial support to 2,184 customers in total. Thirdly, thanks to the implementation of the interest discount policy for first-time loan, during the Reporting Period, 273 first-time borrowers (including individuals and enterprises) had been granted discount interest loans, involving a loan amount of RMB908 million, ranking first among local legal institutions in Guangdong province.

The Bank accelerated the process of product innovation and improved its market competitiveness. Firstly, to benchmark against the cutting-edge rural commercial banks, the Bank comprehensively optimized “Convenient Housing Loan” online and offline, and created inclusive and small and micro enterprises-supporting competitive products with the goal of “timeliness”, “simplicity of procedures” and “standardization” to seize market share. Secondly, it comprehensively upgraded “Science & Technology Loans”, and focusing on the growth cycle and scientific research capability of sci-tech enterprises, tailor-made three sub-products: start-up loans, growth loans and industrial loans. Thirdly, the Bank comprehensively rolled out “Fast Loans of Financing Guarantee”, actively cooperated with government financing guarantee institutions to carry out bank guarantee business, gave full play to the advantages of batch guarantee and rapid guarantee of “promptly providing guarantee once a loan is granted”, and achieved rapid business growth. Fourthly, it implemented regulatory requirements, fulfilled its social responsibilities, and rolled out “new citizen business loans” on the R&D basis to meet employment and entrepreneurial financing needs of new citizens.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. Internet Finance Business

1. *Mobile Banking*

Adhering to the “customer-centered” development philosophy, the Bank strived to enhance the service level of digitalisation and intelligence of mobile banking. In 2022, firstly, the Bank integrated direct marketing banking into mobile banking to create a unified entrance to retail mobile terminal; secondly, the Bank fully took into account customers’ growing demand for non-contact financial services, optimized online business hall functions, and added functions such as mutual transfer of time and demand deposits and social security card application; thirdly, the Bank upgraded the electronic channel non-tax payment function, along with non-tax business acceptance ranging from the original city, Guangzhou, to Foshan, Zhuhai, Heyuan and other areas with its application of “Internet + Finance” model as well as collective attention to the construction of intelligent administration of government; fourthly, the Bank further created a simple and exclusive service experience and built a mobile banking generation area and a private diamond area for the key customer groups of generation and private diamond.

2. *Internet Banking*

In 2022, the Bank comprehensively upgraded the corporate online banking through digital financial technology, while completing iterative optimization centering on customer experience and revolving around basic services, platform capabilities, risk management and other aspects.

3. *WeChat Banking*

The Bank’s WeChat banking integrates publicity, customer service and financial tools, and provides customers with fast and easy financial services such as product introduction, latest preferential offers, account inquiries and various business appointments and launches “Jin Mi Fu Li” zone in this year, which focuses on presenting various online rights and interests and expands the publicity of the Bank’s activities. As of the end of 2022, the Bank had 1,263,700 WeChat banking customers.

4. *Jinmi Mall*

The Bank makes full use of the “Jinmi Market” e-commerce platform to vigorously introduce agribusinesses, farmers and agricultural products. Through the mode of “agricultural assistance + e-commerce”, the Bank broadens the online sales channels of agricultural products and helps agricultural enterprises and farmers increase their income. In 2022, the sales amount of agriculture-supporting orders was approximately RMB3 million.

VII. Distribution Channels

1. *Physical Outlets*

As of the end of 2022, the Bank had 605 branches (including 1 franchise institution), of which 586 were located in the Guangzhou region (including 1 franchise institution) and 19 were non-local branches in the province. In terms of the number of branches in the Guangzhou region, the Bank ranked first among the banks in Guangzhou. The Bank operated 5 non-local branches and 14 sub-branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Self-service Banking

As of the end of 2022, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,065, among which 1,044 were ATMs, 473 were self-service inquiry terminals and 548 were smart service terminals.

3. Smart Banking

As of the end of 2022, the Bank had a total of 255 smart banking outlets, where 548 STMs, smart facilities, were installed.

FINANCIAL TECHNOLOGY

The Bank proactively propelled the establishment of information systems and constantly intensified the supporting role of financial technology for business development. It continuously increased more investment in scientific and technological resources, strengthened the construction of scientific and technological innovation and application capabilities, and steadily improved the overall capabilities of the fin-tech team and science and technology. In 2022, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

I. Technology Governance

The Bank endeavored to improve capabilities in science and technology governance and management, established a top-down information technology management framework (consisting of the Board of Directors and the senior management, the science and technology finance committee, the information technology risk management department and the financial science and technology departments) and persistently implemented the “three lines of defense” for information technology risk management. The Bank improved the review function of the science and technology finance committee on major issues in finance and science and technology management, innovation management and data governance. In 2022, the senior management and the science and technology finance committee reviewed and organized the implementation of important proposals in the fields of information technology risk management, network security, scientific and technological innovation, data governance, etc.. It improved the information technology architecture management system, established a standardized technology review mechanism, deepened the integration between science and technology and business, and continually improved the capabilities of independent technological R&D and business support, thus providing strong scientific and technological support for the implementation of the bank-wide strategy, business development, and operation management.

II. Information Security Guarantee

The Bank attached importance to and continued to strengthen its capability of information security guarantee. It thoroughly implemented the cyber security work requirements of regulators, continuously improved cyber securities related management systems, implemented cyber security management responsibilities at all levels, carried out penetration tests on the Internet application system, host vulnerability scanning and security baseline inspection, software and hardware inspection, and supervision on handling of incidents, conducted application access review and various cyber security management measures, such as information security assessment, strengthened system risk prevention and control, and successfully completed the security guarantee work in major periods such as the Winter (Paralympic) Games and the 20th National Congress of the Communist Party of China, with no security events occurred in cyber security operation throughout the year. Meantime, the Bank improved the data security management system, strictly implemented the data security management and control strategy, and strengthened data security and privacy protection. By carrying out the systematic information security management, the Bank effectively enhanced the level of information security guarantee, and accordingly there was no occurrence of major information security incidents in the entire year of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Business Continuity Management

The Bank actively implemented various tasks of business continuity management, and continuously improved the level of operation and maintenance guarantee capability and business continuity management by strengthening the daily monitoring of business continuity, improving the management of business operation supply chain resources, enhancing business continuity training and carrying out emergency drills and other measures. In 2022, the production system operated safely, stably and continuously.

IV. Development of Financial Technology

Taking the People's Bank of China's Financial Technology Development Plan for 2022–2025 《金融科技發展規劃(2022–2025年)》 and the Bank's "14th Five-Year Plan" strategic development plan as the guidance for building financial technology, the Bank has formulated the Implementation Plan of Guangzhou Rural Commercial Bank for the Financial Technology Strategic Development Plan for 2022–2025, which focuses on the implementation of the Bank's "14th Five-Year" strategic development plan and comprehensive digital transformation. The Bank improved the service capacity of financial technology in an all-round way from the aspects of improving governance system, releasing the potential of data elements, building a new digital infrastructure, and deepening the application of key core technologies. Focusing on service channels, customer management, innovative products, risk control capabilities, data applications, internal comprehensive management, etc., it has provided comprehensive science and technology support for the Bank's operation expansion, improvement of management quality, and development efficiency.

In 2022, the Bank smoothly launched 46 projects online, including risk management system, small and micro financial service platform, corporate intelligent marketing system, intelligent voice outbound call system, thus effectively supporting the business development and operation management of various business lines of the Bank.

V. Innovation of Information Technology

The Bank actively carried out information technology innovation. It formulated the Implementation Plan for Information Technology Application and Innovation (2022–2023) and smoothly completed all the objectives and tasks of information technology innovation in 2022. The Bank introduced RPA robots, federated learning and other new technologies to apply to multiple business processing scenarios, reducing manual processing workload, strengthening information security and improving business processing efficiency. It completed subject researches such as the exploration of regulatory data governance path for small and medium-sized corporate banking institutions, and the localization tackling of "construction of smart marketing collaboration system based on the full stack of domestic cloud". The real time intelligent dual-recording audit project successfully passed the financial technology research project of the Guangdong Fintech Association. The on-line business hall system won multiple awards, like the Excellent Cases of China Banking Industry Digital Transformation. The cloud platform security operation management system construction project won the award of 2022 network security technology application demonstration project, jointly held by 12 ministries and commissions, including the CBIRC. The Bank successfully applied for national computer software copyright for the housing (apartment) renting and residing management system (Rong e-rent system).

MANAGEMENT DISCUSSION AND ANALYSIS

PROTECTION OF THE RIGHTS OF FINANCIAL CONSUMERS

The Bank has always been in line with the service concept of “customer-centric” in the consumer rights protection work, guided by a high sense of social responsibility, implemented various laws, regulations and regulatory requirements on consumer rights protection, and continuously improved the mechanism of the consumer protection work system, covering the management measures of consumer rights protection work, assessment and evaluation, risk rating assessment, personal financial information protection, marketing publicity, financial knowledge popularization and education, consumer complaint handling, effectively protecting consumer rights and enhancing customer satisfaction, with a customer satisfaction rate of 99.12%.

In 2022, the Bank accepted a total of 1,263 consumer complaints through all channels, and the areas involved in complaints were mainly concentrated in Guangdong province, with timeliness rate of handling up to 100% and remarkable effect of the work of reducing complaints. The Bank organised and carried out a number of promotional and educational programmes on consumer rights protection, including “March 15 consumer rights protection”, “popularizing financial knowledge and keeping money in your pocket” and “wide publicity of financial knowledge”, reaching approximately 15 million people and contributing to the enhancement of consumers’ financial literacy, and received a number of awards including “Excellent Publicity Unit”, “Excellent Organisation Unit”, “Most Creative Award” and “Best Popularity Award” from regulatory bodies throughout the year.

RISK MANAGEMENT

The Bank has established a comprehensive risk management corporate governance structure with a sound organizational structure and clear responsibility boundary, which clearly defines the responsibilities of the Board of Directors, the Board of Supervisors, the senior management, all departments and offices of the Head Office, and all branches in comprehensive risk management. Risk management covers all business lines, branches, subsidiaries, departments, positions and personnel, all risks, and all management links of decision-making, implementation and supervision, based on which, an independent comprehensive risk management organizational structure has been established to form an operating mechanism of mutual coordination and checks and balances. At the same time, in combination with its actual situation and management needs, the Bank has continued to optimize the risk management structure, improved the risk management system, evaluation system, decision-making system and monitoring system, strengthened the whole-process management of credit business, optimized the asset structure, strove to do well in disposal of existing risks and incremental risks prevention and control, and built a “comprehensive, prudent, independent, effective and dynamically balanced” comprehensive risk management system.

I. Credit Risk Management

Credit risk refers to the risk of economic losses of the Bank arising from failure of the borrower or the counterparty to fulfill relevant obligations as per the contract for various reasons.

The objective of the Bank’s credit risk management is to, by establishing a credit risk management system that is consistent with the Bank’s overall strategy and the New Basel Capital Accord, accurately identify and measure the risk cost and risk level of credit business, realize the matching of risks and benefits, and improve the Bank’s competency and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Bank launched the “Asset Quality Year” activity with the theme of “strengthening management, controlling risk, optimizing structure and promoting development”, comprehensively strengthened the whole-process management of credit business and improved the ability to manage and control credit risk.

1. Improving the organizational structure of risk management. The Bank established a credit management department, adjusted the division of functions of the departments, and focused on strengthening credit risk control. Meanwhile, it established a cross-department post-loan management supervision team, strengthened supervision and inspection of key areas and weak links, and improved risk prevention and control capabilities.
2. Making the large-sum credit granting risk management mechanism sound. The Bank improved the unified credit management system for corporate customers, optimized the calculation method of credit line, and prudently verified the credit exposure limit of customers. It also established a pre-access large-sum credit granting mechanism, and reinforced customer risk identification and screening.
3. Deepening the review and approval of professional construction. The Bank established a credit granting approval intervention registration and filing mechanism to ensure the independence of approval. It promoted the implementation of the full-time approving-staff mechanism, recruited full-time approving staff internally, and optimized the structure of the approval team. The Bank improved the internal management mechanism of review and approval, scientifically allocated approval resources, and improved service efficiency.
4. Strengthening credit business process management. Before a loan is granted, the Bank will promote the use of “Credit Due Diligence APP”, while enforcing the solidified tool process required by the system to improve the management quality. During the loan granting, the Bank will optimize the template of the review tool, clarify the review and approval criteria, develop a standardized scheme template, and strengthen the technical support for the review and approval. In the post-loan period, the Bank will revise the system and measures to strengthen the risk early warning monitoring and implementation supervision. The Bank has built a hierarchical management system and mechanism for asset business, improved relevant management measures, and realized the normalization and standardization of asset business management.
5. Comprehensively strengthening risk asset management and control. The Bank revised and improved relevant management measures, normalized and standardized risk mitigation guidelines, and improved risk management capability. It optimized the risk management assessment mechanism, issued specific assessment schemes, improved the weight of asset quality assessment indicators, strengthened process management, and strictly prevented and controlled asset risk deterioration.
6. Strengthening the disposal of non-performing assets (NPAs). The Bank formulated the assessment plan and relevant systems and measures for the collection and disposal of NPAs, advanced the collection and disposal of NPAs on the one-by-one basis, firmly carried out the disposal of large-sum NPAs, strengthened the promotion and channel construction of non-performing assets, and enhanced the disposal efficiency of NPAs.

MANAGEMENT DISCUSSION AND ANALYSIS

- Promoting the informatization construction of risk management. The Bank successfully completed the function development and online launch of the second phase of the risk system project group, as well as the online launch of all functions within the scope of the project. Through placing the credit file management function module online, the Bank realized electronic management of credit files.

During the Reporting Period, the Bank effectively managed and controlled the credit risk through the above key initiatives, with all asset quality indicators meeting the expected control objectives.

II. Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business.

The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfill payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and sound liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to effectively maintain the balance between effectiveness and security of funds.

During the Reporting Period, the Bank continued to implement liquidity risk policies and various measures for liquidity risk management, and enhanced the unified and centralized management of liquidity risk. The specific management measures were as follows. Firstly, the Bank made use of the capital position system for daily position management, centralized scheduling, and timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, it included the requirements for liquidity risk management into its business plan to ensure to limit the existing quality liquidity assets within a safe range. Thirdly, based on the risk preference in liquidity risk approved by the Board of Directors, the Bank formulated quarterly limits on liquidity risk, and monitored the execution of the risk limit every month and assessed the execution of the risk limit every quarter to ensure liquidity risk is under control. Fourthly, the Bank monitored liquidity indicators monthly, made forward-looking predictions of liquidity indicators and gaps, timely identified risks, and made reasonable capital arrangement. Fifthly, the Bank carried out stress testing for liquidity risk quarterly to timely assess its liquidity risk tolerance and risk mitigating capabilities, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis. Sixthly, the Bank regularly carried out liquidity risk emergency drills in order to improve the efficiency of its response under an emergency situation.

In 2022, the overall liquidity risks of the Bank which had sufficient provisions were under control, all monthly key liquidity risk indicators were able to meet the standards, and results of the stress test also showed that the Bank had adequate risk mitigating capability to deal with crises under a stress scenario. As of the end of 2022, the Bank's liquidity coverage rate was 397.90% and the net stable capital ratio was 118.62%.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank exists in the Bank's transaction books and bank books, mainly including interest rate risk and exchange rate risk.

In 2022, the Bank remained concerned about changes in monetary policies and market prices, and took multiple measures to enhance the ability to manage market risk. Firstly, it formulated basic investment policies, with the allocation of major assets dominated by interest rate bonds and highly rated credit bonds. Secondly, it implemented the risk monitoring mechanism, established a full-caliber risk monitoring mechanism on and off the balance sheets of credit bonds, implemented the penetration principle, dynamically collected underlying bond positioning, regularly carried out the overall analysis from the dimensions of scale, limit, profit and loss, etc., and promptly prompted the risk of abnormal deviation of indicators and urged rectification. Thirdly, the Bank carried out stress tests towards market risk on a regular basis, analyzed valuation changes and the impact of changes on the Bank under mild, moderate and severe test scenarios, and advised on the protection against market risk fluctuation.

During the Reporting Period, the overall market risk of the Bank was under control, without the occurrence of significant market risk incidents, all key market risk indicators were able to meet the standards, and results of the stress test also showed that it was adequate to deal with the valuation change impacts on operating revenue, net profit and capital adequacy ratios under a stress scenario.

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, staff and IT system, and external events.

In 2022, the Bank continuously improved the level of operational risk management. Firstly, by setting and maintaining key risk indicators for quantitative monitoring, the Bank realized multi-dimensional, normalized risk monitoring of institutions and businesses. Secondly, it strengthened the statistics, analysis and report of event loss data. Thirdly, the Bank organized all its departments and operating institutions to carry out internal control management inspections and effectively prevented operational risk hidden dangers. Fourthly, it enhanced the behavior management of practitioners, conducted investigation against abnormal behaviors, and verified and disposed of the concealed and unreported violations of conduct.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Information Technology Risk Management

The information technology risk refers to operational, legal and reputational risks generated during the process of applying information technology by the Bank due to natural factors, human factors, technical loopholes and management flaws.

In 2022, the Bank took no occurrence of significant information technology risk incidents as its management objective, and continuously strengthened information technology risk management. Firstly, it issued multiple systems in terms of information technology outsourcing risk, business continuity, emergency management of emergencies, accountability of information technology events, and behavior management of information technology practitioners, to further establish and improve the information technology risk management and control mechanism. Secondly, the Bank gave full play to the joint efforts of the “three lines of defense” departments of the information technology risk, while implementing multiple security inspections, risk assessments and internal and external audits, by which the information technology risk management and control was effectively improved. Thirdly, it effectively implemented the emergency drills of real takeover scenarios of important businesses and information systems, and improved the emergency response ability of each unit to the emergencies of operation interruption.

During the Reporting Period, the overall information technology risk of the Bank was under control, without the occurrence of significant information technology risk incidents.

VI. Compliance Risk Management

Compliance risk refers to the risk of legal sanction or regulatory penalty, major property loss or reputation loss as a result of the Bank’s non-compliance with the laws, rules and regulations.

In 2022, the Bank strengthened compliance risk management by closely adhering to its “14th Five-Year Plan” strategic development plan, and pushed forward a profound and refined implementation of the bank-wide supervision system. Firstly, it continuously conducted and optimized system construction through ex ante compliance review, re-examination of organizational system, troubleshooting of system gaps, and elimination of invalid systems in order to “manage increment, optimize inventory”. Secondly, the Bank enhanced the monitoring of key areas, enforced the supervisory subject system to implement the inspection responsibility, deeply inspected the weak links in internal control and compliance, and effectively improved the efficiency of internal control and compliance. Thirdly, the Bank carried out case risk investigations, to pay attention to, prevent and resolve case risks in advance. Meantime, it conducted case warning education, taking cases as a lesson and a reminder for risk prevention, so as to educate employees to work legally and compliantly, and create a culture atmosphere of law-abiding and compliance.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. Legal Risk Management

Legal risk refers to the risk of incurring legal sanctions or other negative consequences that arises out of or in connection with the failure of the Bank to comply with requirements of relevant laws and regulations during the Bank's operation, the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank, legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations and other relevant rules; and other relevant legal events that occur internally and externally.

In 2022, the Bank continuously strengthened legal risk management, improved legal risk management level and prevention capability, implemented the Civil Code of the People's Republic of China, and other new laws and regulations, continuously optimized agreement contents, and practically enhanced risk prevention and control in litigation cases.

VIII. Money Laundering Risk Management

Money laundering risk refers to money laundering, terrorist financing and proliferation financing risk. The occurrence of money laundering risk incidents or cases may bring serious reputational risk and legal risk to the Bank, and lead to customer loss, business loss and financial loss.

In 2022, the Bank conscientiously implemented the regulatory policies, and in accordance with the "risk-based" principle, made every effort to propel the completion of the two major projects of institutional money laundering risk self-assessment and anti-money laundering system reconstruction as scheduled, continued to optimize the construction of the management structure and internal control system, effectively enhanced the support capacity of the new anti-money laundering system, vigorously improved the quality of anti-money laundering internal inspection and supervision, carried out anti-money laundering training and publicity in a solid manner, comprehensively strengthened the management of money laundering risk, and strictly prevented and controlled money laundering risk.

IX. Reputation Risk Management

Reputation risk refers to the behavior of the Bank, the behavior of practitioners or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively prevented reputation risks, responded to negative public opinion events, and effectively maintained a good market image of the Bank, so as to achieve the overall objective of reputation risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

X. Country Risk Management

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

In 2020, the Bank's cross-border business strictly implemented anti-money laundering obligations, and carried out business monitoring in high-risk countries (regions) in accordance with the lists of high-risk countries (regions) and enhanced surveillance countries (regions) issued by international anti-money laundering organizations, such as the Financial Action Task Force (FATF), the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), and recognized by China and also issued by relevant Chinese authorities, and strengthened due diligence and other control measures on businesses in high-risk countries (regions). The Bank implemented agent bank access, monitoring and exit management mechanism when carrying out transactions with overseas banks, regularly assessed risks of agent banks and the countries (regions) where they located, and implemented dynamic adjustments.

XI. Implementation of the Basel Capital Accord

The Bank promoted the implementation of the New Basel Capital Accord in accordance with regulatory requirements. In 2020, firstly, the Bank continued to optimize the construction of a risk-weighted asset measurement system; and through new and optimized data interfaces of upstream system, the Bank completed the sorting and adjustment of data interfaces, improved the quality of basic data, and meanwhile optimized the system operation performance and execution efficiency. Secondly, according to the Basel II, the Bank formulated an annual risk preference statement and indicator system. Thirdly, it completed the commissioning and trial operation of the non-retail internal rating optimization and upgrading project, and organized the 2022 spot check of the non-retail internal rating, and focusing on the integrity of the pre-loan rating process and the accuracy of the rating results, checked the implementation of the rating work of various operating institutions and strengthened the standardized management. Fourthly, the Bank provided assistance to the People's Bank of China in completing the annual FSAP stress test.

XII. Large Amount Risk Exposure Situation

The Bank strictly implemented large amount risk exposure management in accordance with regulatory requirements, conscientiously implemented unified credit management for clients and strengthened pre-granting credit limit management, collected large amount risk exposure data to fill in the Statistical Table of Large Amount Risk Exposure on a monthly basis in accordance with the requirements of the CBIRC on the submitting and filling of off-site regulatory statements of the banking industry, to reflect the concentration of its risk exposure to customers, and continued to monitor and manage large amount risk exposure, ensuring that indicators relating to large risk exposures are in line with regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT

The Bank has established an independent and vertical audit management system. The independent audit department was established at the Head Office. Under the leadership of the Party Committee and the Board of Directors of the Bank, under the guidance and supervision of the Board of Supervisors, the audit department is responsible for the overall management the whole bank's audit work, continually improved the Bank's business operation, risk management, internal control and compliance and corporate governance effects through audit, evaluation and supervision and rectification. The audit department regularly reports its work to the Bank's Party Committee and the Board of Directors and the Board of Supervisors of the Bank, and submits major audit matters to the Party Committee for pre-study and consideration before submitting to the Board of Directors for consideration.

During the Reporting Period, the audit department fully carried out the work requirements of the superior management organizations, implemented the work arrangements of the Party Committee, the Board of Directors and the Board of Supervisors, strengthened the leading function of Party Building, committed to management innovation and establishment of audit team, system and technology, further consolidated the basic audit management work, improved audit efficiency and enhanced audit effect. The audit department insisted on the general idea of emphasis on the key points, development from point to area, clue exploring, risk unveiling and rectification enforcement by focusing on its audit objective of value addition, solidly carried out various audit projects, discovered some hidden risks and internal control weaknesses in a timely manner, facilitated multiple business systems, procedures and systematical function consummate, and gave full play to the audit supervision function of the third risk defense line.

INTERNAL CONTROL MANAGEMENT

The Bank has established an internal control governance and organization structure with reasonable division of labor, clear responsibilities and clear reporting relationships. Among them, the Board of Directors is responsible for the establishment and effective implementation of the internal control system. The Audit Committee and the Related Party Transactions and Risk Management Committee under the Board of Directors are responsible for assisting the Board of Directors in fulfilling its supervision and management responsibilities. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management to improve the internal control system and perform their internal control duties. The senior management is responsible for implementing the decisions of the Board of Directors and guaranteeing the effective fulfillment of all responsibilities of internal control.

The Bank attaches great importance to the construction of internal control management and has formulated the Internal Control Guidelines of Guangzhou Rural Commercial Bank (《廣州農村商業銀行內部控制指引》) in accordance with the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and other laws and regulations, and in conjunction with the actual situation of the Bank, which regulate internal control responsibilities, internal control measures, internal control guarantees, internal control evaluation, internal control supervision, information and communication, and internal control of subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL SUBSIDIARIES

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for performing social responsibility by the Bank, improving the level of financial services for Sannong and small and micro businesses, assisting rural revitalization and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for rural banks and promoted their steady and high-quality development. As of the end of 2022, the Bank had established 25 Zhujiang County Banks in 9 provinces and cities of China.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, and mainly engaged in financial leasing related business. In December 2021, the Company increased its registered capital from RMB1 billion to RMB1.5 billion through transferring the undistributed profit to increase registered capital by RMB500 million.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in December 2017, with registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced its business in June 2020, with a registered capital of RMB1,370 million.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARES

Unit: share, %

	31 December 2021		Change during the Reporting Period Amount of change	31 December 2022	
	Quantity	Proportion		Quantity	Proportion
Total share capital	11,451,268,539	100	-	11,451,268,539	100
Non-overseas listed shares	9,325,933,539	81.44	-	9,325,933,539	81.44
non-overseas listed non-state-owned legal person shareholdings	3,715,358,176	32.45	-	3,715,358,176	32.45
non-overseas listed state-owned legal person shareholdings	3,134,589,712	27.37	-	3,134,589,712	27.37
non-overseas listed natural person shareholdings	2,475,985,651	21.62	-	2,475,985,651	21.62
Overseas listed foreign shares	2,125,335,000	18.56	-	2,125,335,000	18.56

Notes:

- (1) As of the end of the Reporting Period, the total number of shareholders of the Bank's Non-overseas Listed Shares was 29,133, and all non-overseas listed shares of the Bank were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 88 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of some shareholders).
- (2) The shares held by state-owned legal persons represent the Non-overseas Listed Shares of the Bank held by 16 state-owned legal person shareholders, including Guangzhou Metro Group Co., Ltd., Guangzhou City Renewal Group Co., Ltd., etc.
- (3) As of the end of the Reporting Period, 61,382,376 Non-overseas Listed Shares of the Bank were involved in judicial freezing, representing 0.54% of the total share capital of the Bank, and 716,951,752 Non-overseas Listed Shares of the Bank were involved in pledge, representing 6.26% of the total share capital of the Bank.

II. ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES AND DEBT SECURITIES

During the Reporting Period, the Bank did not issue any securities.

During the Reporting Period, the Bank completed the issuance of green financial bonds of RMB3 billion on 5 May 2022 to satisfy the need of Bank's assets allocation.

During the Reporting Period, the Bank did not issue any convertible bonds.

During the Reporting Period, Beijing Mentougou Zhujiang County Bank Co., Ltd., a subsidiary of the Bank, raised 250 million shares for a total amount of RMB250 million. After the completion of the raising, the registered capital of Beijing Mentougou Zhujiang County Bank Co., Ltd. increased from RMB315 million to RMB565 million. For details, please refer to the announcement dated 30 December 2021, the circular dated 4 January 2022 and the announcement on the poll results of the 2022 first EGM dated 18 February 2022 of the Bank.

Save as disclosed above, during the Reporting Period, the Bank and its subsidiaries did not purchase, sell and redeem any securities of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

As at the Latest Practicable Date, the Bank redeemed the full amount of RMB10 billion of Tier 2 Capital Bonds at par value, and at the same time, the Bank obtained the approval from the Guangdong Bureau of China Banking and Insurance Regulatory Commission for the issuance of up to RMB20 billion of the Bank under the capital instruments plan and the Administrative Approval Decision from the People's Bank of China for the issuance of Tier 2 Capital Bonds of the Bank up to RMB20 billion in the China's interbank bond market.

III. INCREASE OR DECREASE OF REGISTERED CAPITAL, DIVISION AND MERGER

During the Reporting Period, the Bank did not increase or decrease its registered capital or have any division or merger matter.

IV. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders and Their Shareholdings

As of the end of the Reporting Period, the Bank had a total share capital of 11,451 million shares, comprising 9,326 million non-overseas listed shares and 2,125 million overseas listed shares. There were 715 legal person shareholders in possession of 6,850 million non-overseas listed shares, accounting for 59.82% of the total share capital. Among which, 16 were state-owned shareholders in possession of 3,135 million shares, accounting for 27.37% of the total share capital, while 28,418 were natural person shareholders in possession of 2,476 million non-overseas listed shares, accounting for 21.62% of the total share capital.

(II) Top Ten Shareholders

As at the end of the Reporting Period, the top ten shareholders of the Bank together held 47.33% of the Bank's total share capital, with no single holder of non-overseas listed shares having control of more than 5% of the total share capital except for Guangzhou Metro Group Co., Ltd. and Guangzhou City Renewal Group Co., Ltd., marking a dispersed shareholding structure of the Bank. Guangzhou Metro Group Co., Ltd., the largest shareholder of non-overseas listed shares, held 6.31% of the total share capital. Guangzhou City Renewal Group Co., Ltd., the second largest shareholder, held 5.82% of the total share capital, and Guangzhou Finance Holdings Group Co., Ltd., the third largest shareholder, held 3.20% of the total share capital. All of these top three shareholders of non-overseas listed shares are enterprises solely-owned by the state.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

The top ten shareholders are as follows:

No.	Name	Class of Shareholder	Nature of Shareholder	Number of Shares (Share)	Shareholding Proportion (%) ⁽²⁾
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	2,124,972,900	18.56
2	Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司)	Non-overseas listed shares	State-owned legal person	722,950,000	6.31
3	Guangzhou City Renewal Group Co., Ltd. (廣州城市更新集團有限公司)	Non-overseas listed shares	State-owned legal person	666,735,193	5.82
4	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	Non-overseas listed shares	State-owned legal person	366,099,589	3.20
5	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	Non-overseas listed shares	State-owned legal person	319,880,672	2.79
6	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	Non-overseas listed shares	State-owned legal person	310,728,411	2.71
7	Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司)	Non-overseas listed shares	State-owned legal person	273,889,019	2.39
8	Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司)	Non-overseas listed shares	Non-state-owned legal person	250,000,000	2.18
9	Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Non-overseas listed shares	State-owned legal person	204,360,000	1.78
10	Nanjing Gaoke Co., Ltd. (南京高科股份有限公司)	Non-overseas listed shares	Non-state-owned legal person	180,000,000	1.57
Total				5,419,615,784	47.33

Notes:

- (1) HKSCC Nominees Limited, as a nominee, held 2,124,972,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.
- (2) Calculated on the basis of the total share capital of the Bank of 11,451,268,539 shares.

(III) Internal Staff Members' Shareholdings

As of the end of the Reporting Period, the Bank had a total of 5,688 internal staff member shareholders, holding 371 million shares, which accounted for 3.24% of the total share capital of the Bank.

(IV) Explanation on Absence of Controlling Shareholders and De Facto Controllers of the Bank

As of the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(V) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

Based on the knowledge of the directors or chief executives of the Bank, as at 31 December 2022, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed or taken to have interests and short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO. The details are as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Municipal People's Government ⁽¹⁾	Interest of a controlled corporation	Non-overseas listed shares	Long	3,124,589,712	27.29%	33.50%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	2.58%	13.89%
Guangzhou HongHui Investment Co., Ltd ⁽²⁾	Beneficial owner	H Shares	Long	200,991,000	1.76%	9.46%
Zeng Weipeng ⁽²⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	1.00%	5.39%
Good Prospect Corporation Limited ⁽³⁾	Beneficial owner	H Shares	Long	294,530,203	2.57%	13.86%
Liu Feng ⁽³⁾	Interest of a controlled corporation	H Shares	Long	294,530,203	2.57%	13.86%
East Lake Technology Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	294,554,000	2.57%	13.86%
Deng Geng ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	294,554,000	2.57%	13.86%
Manureen Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	221,424,797	1.93%	10.42%
Lin Xiaohui ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	1.93%	10.42%
Su Jiaohua ⁽⁵⁾	Interest of spouse	H Shares	Long	221,424,797	1.93%	10.42%
Lead Straight Limited ⁽⁶⁾	Beneficial owner	H Shares	Long	195,229,000	1.70%	9.19%
Grandbuy International Trade (HK) Limited ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Lingnan Business Travel Investment Group Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%
Harvest Fund Management Co., Ltd. ⁽⁷⁾	Beneficial owner	H Shares	Long	187,000,000	1.63%	8.80%
China Credit Trust Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	187,000,000	1.63%	8.80%
Guangzhou City Construction Investment Development Company Limited ⁽⁸⁾	Beneficial owner	H Shares	Long	551,900,000	4.82%	25.97%
Guangzhou City Construction Investment Group Co., Ltd. ⁽⁸⁾	Interest of a controlled corporation	H Shares	Long	561,249,000	4.90%	26.41%

Notes:

- (1) These 3,124,589,712 shares include 722,950,000 shares directly held by Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), 666,735,193 shares directly held by Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司), 366,099,589 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 319,880,672 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 310,728,411 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 273,889,019 shares directly held by Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司), 204,360,000 shares directly held by Guangzhou Industrial Investment Holding Group Co., Ltd. (廣州工業投資控股集團有限公司), 137,283,914 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工貿集團有限公司), 45,312,844 shares directly held by Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), 33,405,752 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,304,522 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,152,261 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 9,152,261 shares directly held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司), 7,052,469 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司) and 282,805 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).
- (2) Guangzhou HongHe Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. is owned as to 63.33% by Guangzhou HongHe Investment Co., Ltd.. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 shares by virtue of the SFO.
- (3) Liu Feng wholly owns Good Prospect Corporation Limited. Therefore, Liu Feng is deemed to be interested in the 294,530,203 shares by virtue of the SFO.
- (4) Deng Geng wholly owns East Lake Technology Limited. Therefore, Deng Geng is deemed to be interested in the 294,554,000 shares by virtue of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (5) Manureen Investment Limited is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 shares by virtue of the SFO.
- (6) Guangzhou Lingnan Business Travel Investment Group Co., Ltd. wholly owns Grandbuy International Trade (HK) Limited, which in turn wholly owns Lead Straight Limited. Therefore, Guangzhou Lingnan Business Travel Investment Group Co., Ltd. and Grandbuy International Trade (HK) Limited are deemed to be interested in the 195,229,000 shares by virtue of the SFO.
- (7) Harvest Fund Management Co., Ltd. is owned as to 40% by China Credit Trust Co., Ltd.. Therefore, China Credit Trust Co., Ltd. is deemed to be interested in the 187,000,000 shares by virtue of the SFO.
- (8) These 561,249,000 shares include 551,900,000 shares directly held by Guangzhou City Construction Investment Development Company Limited Investment Co., Ltd. (廣州市建設投資發展有限公司) and 9,349,000 shares directly held by Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership) (廣州新華城市發展產業投資企業(有限合夥)). Therefore, Guangzhou City Construction Investment Group Co., Ltd. (廣州市城市建設投資集團有限公司) is deemed to be interested in the 561,249,000 shares by virtue of the SFO.

Save as disclosed above, the Bank was not aware of any other person (other than the directors, chief executives and supervisors of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2022 which should be recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(VI) Major Shareholders under “Interim Measures for Equity Management of Commercial Banks” (《商業銀行股權管理暫行辦法》)

Pursuant to the requirements concerning major shareholders under “Interim Measures for Equity Management of Commercial Banks”, the major shareholders of the Bank as of the end of the Reporting Period were as follows:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
1	Guangzhou Metro Group Co., Ltd.	722,950,000	Interested in more than 5% of the Bank's shares	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Metro Group Co., Ltd.	21 related natural persons and 88 related legal persons
2	Guangzhou City Renewal Group Co., Ltd	666,735,193	Delegated director Mr. Da Hengcheng	No	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou City Renewal Group Co., Ltd.	26 related natural persons and 224 related legal persons
3	Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司)	273,889,019	Delegated director Ms. Feng Kaiyun	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Lingnan Business Travel Investment Group Co., Ltd.	10 related natural persons and 185 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
4	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	160,020,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Zhu Yihang (朱一航)	-	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	34 related natural persons and 628 related legal persons
5	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	10,000,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Zhicheng Weiye Investment Limited (廣東至誠偉業投資有限公司)	Xue Dingxi (薛定善)	-	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	34 related natural persons and 628 related legal persons
6	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	125,010,000	Delegated director Mr. Zhang Junzhou	No	Linzhi Depeng Investment Co., Ltd. (林芝德騰投資有限公司)	Zhu Weihang (朱偉航)	-	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	34 related natural persons and 628 related legal persons
7	Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司)	121,010,000	Delegated supervisor Mr. Liang Bingtian	No	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou (廣州市天河區龍洞街龍洞股份合作經濟聯社)	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou	-	Longdong Economic Development Company, Tianhe District, Guangzhou City	5 related natural persons and 2 related legal persons
8	Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司)	104,000,000	Delegated supervisor Mr. Feng Jintang	No	Zhong Liuhan (鍾流漢)	Zhong Liuhan (鍾流漢)	-	Foshan Dongjian Group Co., Ltd.	8 related natural persons and 24 related legal persons
9	Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司)	100,010,000	Delegated director Mr. Feng Yaoliang	No	Feng Yaoliang (馮耀良)	Feng Yaoliang (馮耀良)	-	Guangzhou Huaxin Group Co., Ltd.	6 related natural persons and 129 related legal persons
10	Aeon Life Insurance Company Ltd. (百年人壽保險股份有限公司)	65,000,000 ⁽²⁾	Delegated director Mr. Zhuang Yuemin	No	-	-	-	Aeon Life Insurance Company Ltd.	23 related natural persons and 63 related legal persons
11	Guangdong Dongsheng Industrial Co., Ltd. (廣東東升實業有限公司)	62,500,000	Delegated director Mr. Lai Zhiguang	No	Guangdong Dongsheng Holding Group Co., Ltd. (廣東東升控股集團有限公司)	Lai Zhiguang (賴志光)	-	Guangzhou Dongsheng Industrial Co., Ltd.	3 related natural persons and 48 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties ⁽¹⁾
12	Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司)	45,312,844	Delegated director Mr. Zuo Liang	No	Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Gongkong Capital Management Co., Ltd.	21 related natural persons and 297 related legal persons
13	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	310,728,411	Delegated supervisor Mr. Chen Jianliang	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	14 related natural persons and 230 related legal persons

Note: (1) For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank regularly maintains and updates the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions for 2022 in this annual report. Due to limitations on space, it does not provide the list of related parties of major shareholders.

(2) Only for non-overseas listed shares.

(VII) Performance of Undertakings by Shareholders Holding 5% or More of Share Capital of the Bank

During the Reporting Period, the shareholders holding more than 5% of the Bank's issued shares were Guangzhou Metro Group Co., Ltd. and Guangzhou City Renewal Group Co., Ltd., both of which have issued the "Substantial Shareholders Undertaking Letters" to the Bank and undertaken to perform their duties as shareholders in accordance with regulatory requirements.

(VIII) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon approval by Guangdong Bureau of China Banking and Insurance Regulatory Commission (Guangdong Bureau of CBIRC) (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued the non-cumulative perpetual offshore preference shares in the amount of USD1,430 million on 20 June 2019. The offshore preference shares (abbreviated as GRCB19USDPRF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the offshore preference shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the offshore preference shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional Tier 1 capital of the Bank, increase the Tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the offshore preference shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As of the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 31 December 2022):

Name of shareholder: The Bank of New York Depository(Nominees) Limited

Nature of shareholder: Foreign legal person

Class of shares: Offshore preference shares

Increase or decrease during the Reporting Period (share): 0

Shareholding ratio (%): 100

Total number of shares held: 71,500,000

Number of shares subject to selling restrictions (share): –

Number of shares pledged or frozen (share): Unknown

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the offshore preference shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors.

3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the offshore preference shares of USD93,744,444.44 was distributed by the Bank on 20 June 2022, of which USD84,370,000 was paid to the holders of offshore preference shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

4. *Other information on the Offshore Preference Shares*

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing Offshore Preference Shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

V. DIVIDENDS

The Board of Directors has proposed the payment of a cash dividend of RMB1.05 (tax inclusive) per 10 shares for 2022 to all shareholders in an aggregate amount of approximately RMB1.202 billion (tax inclusive). The payment of such dividend is subject to consideration at the 2022 Annual General Meeting, and, if approved, such dividend is expected to be paid on or before 24 July 2023 to our non-overseas listed shareholders and H shareholders. Such dividend will be denominated in Renminbi, and paid to the non-overseas listed shareholders and H shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend to be paid in Hong Kong dollars shall be the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2022 Annual General Meeting (inclusive) as announced by the PBOC. During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to waive any dividend arrangements. For details of the distribution of 2022 annual dividend of the Bank, please see the circular of 2022 Annual General Meeting of the Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. THE BASIC INFORMATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information of the directors of the third session of the Board of Directors, supervisors of the third session of the Board of Supervisors and senior management of the Bank is as follows:

Name	Position	Gender	Year of Birth	Duration of Appointment ¹
Cai Jian	Secretary of the Party Committee, Chairman, executive director	Male	1973	2021.03–now
Da Hengcheng	Non-executive director	Male	1973	2022.09–now
Zuo Liang	Non-executive director	Male	1979	2021.03–now
Feng Kaiyun	Non-executive director	Female	1963	2021.03–now
Zhang Junzhou	Non-executive director	Male	1962	2021.03–now
Feng Yaoliang	Non-executive director	Male	1961	2021.03–now
Lai Zhiguang	Non-executive director	Male	1985	2021.03–now
Liao Wenyi	Independent non-executive director	Male	1962	2021.07–now
Du Jinmin	Independent non-executive director	Male	1963	2021.03–now
Tan Jinsong	Independent non-executive director	Male	1965	2021.03–now
Zhang Weiguo	Independent non-executive director	Male	1963	2022.09–now
Zhang Hua	Independent non-executive director	Male	1965	2021.03–now
Ma Hok Ming	Independent non-executive director	Male	1975	2021.07–now
Wang Xigui	Chairman of the Board of Supervisors, Employee Supervisor	Female	1966	2021.02–now
He Heng	Employee Supervisor	Female	1970	2021.02–now
Lai Jiaxiong	Employee supervisor	Male	1975	2021.02–now
Han Zhenping	External Supervisor	Male	1973	2021.02–now
Shi Shuiping	External Supervisor	Male	1975	2021.02–now
Huang Tianshun	External Supervisor	Male	1968	2022.08–now
Chen Jianliang	Shareholders' Supervisor	Male	1967	2022.06–now
Liang Bingtian	Shareholders' Supervisor	Male	1973	2021.02–now
Feng Jintang	Shareholders' Supervisor	Male	1961	2021.02–now
Lin Ripeng	Vice President (Performing the duties of President)	Male	1970	2020.06–now
Zhao Wei	Leader of Stationed Discipline Inspection Group	Male	1964	2019.10–now
Li Yaguang	Vice President	Male	1967	2021.09–now
Guo Huahui	Vice President	Male	1971	2022.04–now
Tan Bo	Assistant to the President	Male	1974	2020.06–now
Mao Libing	Assistant to the President	Female	1970	2023.01–now
Gu Bo	Assistant to the President	Male	1981	2023.01–now
Wu Wenli	Secretary to the Board of Directors	Female	1978	2022.10–now
Chen Linjun	Business Director, General Manager of Retail Finance Department (Consumer Rights Protection Center) (concurrent)	Female	1972	2014.01–now
Yang Xuan	Business Director, General Manager of Financial Interbank Department (concurrent)	Female	1976	2015.08–now

Note: The commencement date of the appointment of the directors, supervisors and senior management is the approval date by the general meeting or employee representative assembly of the Bank (as the case may be) or the approval from the regulatory authority.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

On 16 June 2022, after consideration and approval by the 2021 annual general meeting of the Bank, Ms. Wang Ping, Mr. Da Hengcheng, Mr. Liang Yu and Mr. Zhang Weiguo were appointed as Directors of the third session of the Board of Directors of the Bank. On 27 September 2022, the director qualifications of Mr. Da Hengcheng and Mr. Zhang Weiguo were approved by the regulatory authority, and the term of office is from 27 September 2022; on 9 August 2022, Mr. Zhang Jian resigned as an executive director of the third session of the Board of Directors, a member of the Strategy and Investment Committee (Sannong Committee) and a member of the Related Party Transactions and Risk Management Committee of the Bank due to reaching age of retirement; on 28 September 2022, Ms. Wang Ping resigned as a proposed non-executive director of the Bank due to personal work change, and Mr. Liang Yu resigned as a proposed non-executive director of the Bank due to personal work adjustment; on 2 February 2023, Mr. Zhuang Yuemin resigned as a non-executive director of the third session of the Board of Directors, a member of the Strategy and Investment Committee (Sannong Committee), a member of the Related Party Transactions and Risk Management Committee of the Bank, and a member of the Audit Committee of the Bank because he needed to devote more time to other personal commitments; on 20 February 2023, Mr. Yi Xuefei resigned as an executive director, a vice chairman, a member of the Strategy and Investment Committee (Sannong Committee), a member and the chairman of the Consumer Rights Protection Committee of the third session of the Board of the Bank and the President of the Bank due to the exceeding of his term of office as the President under the regulatory requirements.

On 10 March 2022, Mr. Zhang Gang resigned as a shareholder supervisor of the third session of the Board of Supervisors and a member of the Audit and Supervision Committee of the Bank due to other commitments of his employment unit; on 19 May 2022, Mr. Zhan Liyuan resigned as an external supervisor of the third session of the Board of Supervisors and chairman of the Nomination Committee of the Bank, because he needed to devote more time and energy to deal with other work; on 16 June 2022, after consideration and approval by the 2021 annual general meeting, Mr. Chen Jianliang was appointed as a shareholder supervisor of the third session of the Board of Supervisors; on 19 August 2022, after consideration and approved by the 2022 second extraordinary general meeting, Mr. Huang Tianshun was appointed as an external supervisor of the third session of the Board of Supervisors.

On 15 July 2022, the Board of Directors of the Bank appointed Ms. Wu Wenli as the Secretary to the Board of Directors of the Bank, and her qualification was approved by the regulatory authority on 8 October 2022; on 8 October 2022, Mr. Tan Bo ceased to serve as the Secretary to the Board of Directors of the Bank. On 30 August 2022, the Board of Directors of the Bank appointed each of Ms. Mao Libing and Mr. Gu Bo as the assistant to the President of the Bank respectively, and their qualifications were approved by the regulatory authority on 4 January 2023 and 18 January 2023, respectively.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

III. BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

Mr. Cai Jian (蔡建), male, born in April 1973, a member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree, major in management, and an MBA, and is a senior economist. Mr. Cai currently serves as the Secretary of the Party Committee and President at Guangzhou Rural Commercial Bank. Mr. Cai has served as a member and deputy section chief of Guangzhou Huangpu Sub-branch of Construction Bank of China (中國建設銀行廣州黃埔支行), deputy section chief and section chief of Guangzhou Economic Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州經濟開發區支), assistant to the president of Guangzhou Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州開發區支行), vice president and member of the Party Committee of Guangzhou Haizhu Sub-branch of China Construction Bank (中國建設銀行廣州市海珠支行), department deputy general manager of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), senior deputy manager of the Strategic Assistance Project Office of Construction Bank of China (中國建設銀行戰略協助項目辦公室), deputy director of Financial Work Office of Guangzhou Municipal Government (廣州市政府金融工作辦公室副主任), deputy director and member of the Party Leadership Group of the Financial Work Office of Guangzhou Municipal Government, the head of the discipline inspection team dispatched by the Guangzhou Municipal Commission for Discipline Inspection in the Financial Work Office of the Municipal Government, deputy director, head of the discipline inspection team and member of the Party Leadership Group of the Financial Work Office of the Municipal Government, the head of the discipline inspection team dispatched by Guangzhou Municipal Commission for Discipline Inspection in the Municipal Financial Work Bureau, Secretary of the Disciplinary Committee of the Bank of Guangzhou (廣州銀行), member of the Standing Committee of Huadu District Committee of Guangzhou, deputy secretary of the Party Leadership Group of Huadu District People's Government, deputy secretary of the Party Committee, vice chairman and president of Bank of Guangzhou.

Mr. Liao Wenyi (廖文義), male, born in November 1962, a member of the Communist Party of China, graduated from Southwest University of Finance and Economics with a master's degree in economics. Mr. Liao is an associate professor. He is currently the independent director of Guilin Bank (桂林銀行), external director of Guangdong HengJian Investment Holding Co., Ltd., independent director of Guan hao Biotechnology Co., Ltd. (冠昊生物科技有限公司), independent director of Daye Trust Co., Ltd. He served as an assistant lecturer in the Department of finance of Hunan University of Finance and Economics (now renamed Hunan University), a lecturer, section chief and deputy director of the Department of finance, director of scientific research department and associate professor, a member of the CPC Committee and vice president of Guangzhou Higher Academy of Finance (now renamed Guangdong University of Finance). He served as office director of the People's Bank of China Guangdong Branch. He served as member of the CPC Committee and office director of the business management department of People's Bank of China Guangzhou Branch. He served as deputy secretary of the Party Committee and vice president of Dongguan Central Branch of People's Bank of China (中國人民銀行東莞市中心支行). He served as secretary of the Party Committee, president and director of SAFE branch of People's Bank of China Yangjiang Central Branch (中國人民銀行陽江市中心支行). He served as the head of Preparatory Work Team for Yangjiang Regulatory Branch of CBIRC (formerly known as the "CBRC"). He served as director of city bank supervision department of Guangdong banking regulatory branch. He served as CPC committee member and deputy director of Guangxi banking regulatory branch. He served as a bank officer, director, and vice president of Guangdong Nanyue Bank (廣東南粵銀行). He served as executive president of the Research Institute of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司研究院). He served as independent director of Guangdong Heshan Rural Independent Commercial Bank Co., Ltd. (廣東鶴山農村商業銀行股份有限公司) and Guizhou Tianhong Mining Co., Ltd. (貴州天弘礦業股份有限公司), and consultant of Credit Life (Guangzhou) Intelligent Technology Co., Ltd. (信用生活(廣州)智能科技有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Du Jinmin (杜金岷), male, born in July 1963, a member of the Communist Party of China, graduated from Nanjing Agricultural University with a doctoral degree. He is currently a professor (Grade II) of Jinan University and a doctoral supervisor, executive director of management committee of Jinan University Shenzhen Campus, director of research base of Guangzhou Nansha Pilot Free Trade Zone (Guangzhou key research base of Humanities and Social Sciences), and independent director of Gifore Agricultural Science & Technology Service Co., Ltd. and Shenzhen Langchi Xinchuang Science & Technology Co., Ltd., a member of Guangdong Philosophy and Social Sciences expert base, vice president of Guangdong South China Economic Development Research Association, managing director of Guangdong Economic Society and an executive of Guangdong Finance Society, a member of the external expert database of Guangdong Provincial Development and Reform Commission, an anonymous reviewer of National Natural Science Foundation of China, National Social Science Fund Project and provincial fund projects, and an anonymous reviewer of several journals and academic journals. He served as teaching officer of monetary banking, School of Economics and Management, Nanjing Agricultural University, deputy director of the department of finance, and a supervisor of master's degree, the teaching officer of monetary banking, department of finance of economics school, deputy director and secretary of the general Party branch of the department of finance, deputy secretary and secretary of the Party Committee and vice president of the school of economics of Jinan University, an independent director of Guangzhou International Group Co., Ltd. (廣州國際集團有限公司), Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司), Guangzhou Construction Co., Ltd. (廣州建築股份有限公司), Jinfa Labi Maternity & Baby Articles Co., Ltd. (金髮拉比婦嬰童用品股份有限公司), Shenzhen Jianyi Decoration Group Co., Ltd. (深圳建藝裝飾集團股份有限公司), Jevoni Clothing Co., Ltd. (傑凡尼服裝股份有限公司), director of the Social Science Research Department of Jinan University, and director of the development planning department of Jinan University.

Mr. Tan Jinsong (譚勁松), male, born in January 1965, a member of the Communist Party of China, PhD, graduated from the Accounting Department of Renmin University of China. He is currently a professor of the School of Management of Sun Yat-sen University and non-practicing senior member of The Chinese Institute of Certified Public Accountants. He is currently an independent director of COSCO Shipping Specialized Carriers Co., Ltd. (SH) (中遠海運特種運輸股份有限公司), Midea Real Estate Holding Limited (HK) (美的置業控股有限公司). He served as an independent director of Guangzhou Hengyun Enterprises Holdings Ltd. (廣州恒運企業集團股份有限公司), Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司), China Southern Airlines Co., Ltd. (SH) (中國南方航空股份有限公司), Welling Holding Limited (威靈控股有限公司) and Shanghai RAAS Blood Products Co., Ltd. (SZ) (上海萊士血液製品股份有限公司).

Mr. Zhang Weiguo (張衛國), male, born in December 1963, a member of the Communist Party of China, graduated from Xi'an Jiaotong University with a doctor degree. He is currently the professor and doctoral supervisor, the leader of the discipline of Management Science and Engineering, and the head of the first-level doctoral program of Management Science and Engineering of the School of Business Administration of South China University of Technology. He is a special professor of the National High-level Talent Program, a recipient of the National Outstanding Youth Science Fund, a national level candidate of the National Hundred Million Talents Project, and an expert enjoying the special allowance from the State Council. He served as a teacher in the Department of Mathematics of Ningxia Normal College, a professor and deputy director of the Department of Mathematics and Computer Engineering and Western Development Research Center of Ningxia University, a professor, doctoral supervisor and deputy dean (presiding over the work) of the School of Economics and Trade of South China University of Technology, and a professor, doctoral supervisor, deputy dean, executive vice president and dean of the School of Business Administration of South China University of Technology.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Hua (張華), male, born in March 1965, graduated from Jiangxi University of Finance and Economics with a master's degree in economics. Mr. Zhang is an economist. He is currently the general manager of Shanghai Erluo Investment Management Service Center (General Partnership), and concurrently serves as an independent director of Zhuhai Taichuanyun Community Technology Co., Ltd. (珠海太川雲社區技術股份公司), Guangdong Expressway Development Co., Ltd. (廣東高速公路發展股份有限公司), and Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司). He served as the deputy director of Guangdong branch of China Development Bank (國家開發銀行廣東省分行), an analyst of Guangdong Golden Finger Investment Consulting Co., Ltd. (廣東金手指投資顧問有限公司), director and deputy manager of investment banking department of Guangzhou Baoxin Holding Group Co., Ltd. (廣州市寶鑫控股集團有限公司), assistant to president of Junhua Group Co., Ltd. (君華集團有限公司), deputy general manager of Guangzhou Yingzhi Caihua Investment Co., Ltd. (廣州市英智財華投資有限公司), deputy general manager of Guangzhou Driver Investment Co., Ltd. (廣州德瑞投資有限責任公司), deputy general manager of Shenzhen Dongying Ruitong Investment Management Partnership (Limited Partnership), an independent director of Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司) and Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司).

Mr. Ma Hok Ming (馬學銘), male, born in June 1975, has a bachelor's degree in accounting from the Hong Kong Polytechnic University, a member of the Hong Kong Institute of Certified Public Accountants. He is currently the managing director and head of Investment Banking Division of ABCI Capital Limited (農銀國際融資有限公司), and concurrently serves as an executive director of ABCI Capital Acquisition Limited and Everest Acquisition Corporation. He served as an assistant senior auditor of Deloitte Touche Tohmatsu (德勤•關黃陳方會計師事務所), assistant manager of corporate finance department of South China Capital Limited (南華融資有限公司), assistant manager of investment banking department of Core Pacific – Yamaichi Capital Limited (京華山一融資有限公司), senior manager of corporate financing department of KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), chief financial officer of Sungreen International Holdings Limited (綠陽國際控股有限公司), assistant director of corporate financing department of the KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), audit manager of Deloitte & Touche LLP, senior vice president of investment banking department of ICEA Capital Limited (工銀東亞融資有限公司), an executive director of investment bank of ICBC International Capital Limited (工銀國際融資有限公司投資銀行), managing director and joint director of investment banking business of ABCI Capital Limited (農銀國際融資有限公司), assistant president of Zhuguang Holdings Group Company Limited (珠光控股集團有限公司).

Mr. Da Hengcheng (答恒誠), male, born in February 1973, a member of the Communist Party of China, graduated from Jinan University with a bachelor's degree in enterprise management and is an economist. He is currently the secretary to the Party general branch, chairman of Guangzhou City Renewal Group Co., Ltd. (廣州城市更新集團有限公司). He concurrently serves as a director of Guangzhou Pearl River Development Group Co., Ltd. (廣州珠江發展集團股份有限公司) (formerly known as Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司)), director and manager of Guangzhou Boutique Pearl River City Development and Operation Co., Ltd. (廣州精品珠江城市開發運營有限公司), general manager of Guangzhou Xinjishan Real Estate Co., Ltd. (廣州新吉山房地產有限公司). He once served as a clerk, deputy director of the office and deputy director of the real estate department of Guangzhou No. 1 Construction Engineering Co., Ltd. (廣州市第一建築工程有限公司), assistant to manager, deputy manager and manager of the real estate operation branch of Guangzhou Construction Group Co., Ltd. (廣州市建築集團有限公司房地產經營分公司), deputy chief economist of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業集團有限公司), director, general manager and chairman of Guangzhou Chengshi Investment Co., Ltd. (廣州市城實投資有限公司), director of Guangzhou Xinjishan Real Estate Co., Ltd. and general manager and deputy secretary of Guangzhou Pearl River Development Group Co., Ltd. (廣州珠江發展集團股份有限公司) (formerly known as Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司)).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zuo Liang (左梁), male, born in October 1979, a member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree in Business Administration and obtained the qualification of economist. He currently serves as the secretary of the Party Committee and chairman of Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), and concurrently serves as the chairman of Guangzhou Wanbao Changrui Investment Co., Ltd. (廣州萬寶長睿投資有限公司), executive director of GIIHG Venture Capital Fund Management Co., Ltd. (廣州工控創業投資基金管理有限公司), executive director of GIIHG Industrial Investment PE Fund Management Co., Ltd. (廣州工控產投私募基金管理有限公司), director of Guangzhou Tieke Intelligent Control Co., Ltd. (廣州鐵科智控有限公司), director of Beijing Dinghan Technology Group Co., Ltd. (北京鼎漢技術集團股份有限公司) and China Auto Electronics Group Limited (天海汽車電子集團股份有限公司), chairman of board of supervisors of Jiangsu Rainbow Heavy Industries Co., Ltd. (江蘇潤邦重工股份有限公司). He served as a staff of Shenzhen branch of Ming An Insurance Company (Hong Kong) Limited (香港民安保險公司深圳分公司), a staff member of the Guangzhou Finance Bureau, a staff member, senior staff member and deputy director of Guangzhou SASAC, the chief strategy officer of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司).

Ms. Feng Kaiyun (馮凱雲), female, born in February 1963, member of the Communist Party of China, graduated from Jinan University, majoring in accounting, as a postgraduate with an MBA degree, a senior international finance manager and an economist. She currently serves as a deputy leader of Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司) and concurrently serves as the director of Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司). She served as a staff member of the economics section of the Foshan Municipal Government Office, the head of the credit division of Guangdong Branch of Bank of China (中國銀行廣州市分行), deputy manager of investment department of Guangxin Industry Development Co., Ltd. (廣新實業發展公司), assistant to the general manager and deputy general manager of Guangzhou Development Investment and Consultation Company (廣州發展投資諮詢公司), general manager of treasury department, general manager of finance department, chief financial officer, deputy chief executive officer and chief financial officer of Guangzhou Development Enterprises Holdings Group Co., Ltd. (廣州發展實業控股集團股份有限公司), deputy general manager of Guangzhou Development Group Co., Ltd. (廣州發展集團有限公司), concurrently served as the director, deputy chief executive officer of Guangzhou Development Group Incorporated (廣州發展集團股份有限公司), chairman of Guangzhou Development Group Finance Co., Ltd. (廣州發展集團財務有限公司), a member of the Party Committee and deputy general manager of Guangzhou General Merchandise Group Co., Ltd. (廣州百貨企業集團有限公司), and director and acting chairman of Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Junzhou (張軍洲), male, born in August 1962. Mr. Zhang obtained a doctoral degree of Economics and is a senior economist. Mr. Zhang currently serves as the chairman of the board of Zhujiang Life Insurance Co., Ltd (珠江人壽保險股份有限公司). He served as assistant to the general manager, director and acting general manager of Hainan International Leasing Co., Ltd. (海南國際租賃有限公司), assistant to the general manager of the Trust and Investment Company of Agricultural Bank of China (中國農業銀行信託投資公司), deputy general manager of China Great Wall Trust and Investment Company(中國長城信託投資公司), deputy general manager of Laws and Regulations Department, general manager of Legal Affairs Department, general manager of Fund Custody Department and general manager of Custody Business Department of Agricultural Bank of China, deputy secretary (in charge of the work), secretary of the Party Committee, president of the Guangxi Branch of Agricultural Bank of China (國農業銀行廣西區分行), secretary of the Party Committee and president of the Sichuan Branch of Agricultural Bank of China (中國農業銀行四川省分行), general manager of the Corporation and Investment Banking Business Department and Corporation Business Department of Agricultural Bank of China, president of Guangdong Zhujiang Financial Investment Co., Ltd. (廣東珠江金融投資有限公司) and the executive director and vice president of Guangdong Zhujiang Investment Co., Ltd. (廣東珠江投資股份有限公司).

Mr. Feng Yaoliang (馮耀良), male, born in May 1961. Mr. Feng currently serves as chairman of Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司), and concurrently serves as the chairman of Guangdong Cold Chain Association (廣東省冷鏈協會), chairman of Guangdong Federation of Social Organizations (廣州市社會組織聯合會), vice chairman of Guangzhou Federation of Industry and Commerce (廣州市工商聯), chairman of Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會), chairman of Guangzhou City Haizhu District Federation of Industry and Commerce (廣州市海珠區工商聯), vice chairman of Guangzhou Private Enterprise Association (廣州市私營企業協會), Director of Jiangmen Rural Commercial Bank Co., Ltd. (江門農村商業銀行股份有限公司), supervisor of Guangdong-Hong Kong-Macao Greater Bay Area Industry Finance Investment Company Limited (粵港澳大灣區產融投資有限公司).

Mr. Lai Zhiguang (賴志光), male, born in July 1985. Mr. Lai is currently the president of Guangdong Dongsheng Holding Group Co., Ltd. (廣東東升控股集團有限公司), president of Guangdong Dongsheng Industrial Co., Ltd. (廣東東升實業有限公司), member of the standing committee of the All-China Youth Federation (全國青聯), Guangdong CPPCC member, vice president of Guangdong Youth Federation, member of the standing committee of Guangdong Federation of Industry & Commerce (廣東省工商聯), standing vice president of Guangdong Hakka Chamber of Commerce (廣東省客家商會), president of Guangdong Provincial Hakka Federation of Young Entrepreneurs (廣東省客家青年企業家聯合會), vice president of China Sandstone Association (中國砂石協會), president of Guangdong Provincial Sandstone Association (廣東省砂石分會), chief supervisor of Guangdong Ecological Restoration Association (廣東省生態修復協會), honorary president of Guangdong Federation of Young Entrepreneurs (廣東省青年企業家聯合會), and executive president of Guangdong Young Entrepreneurs' Association (廣東省青年企業家協會).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Wang Xigui (王喜桂), female, born in August 1966. She graduated from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) and obtained a bachelor's degree in economics and the qualification of accountant. She now serves as chairman of the Board of Supervisors and employee supervisor of the Board of Supervisors of Guangzhou Rural Commercial Bank (廣州農村商業銀行). She once served as teacher of Hubei School of Finance of Zhongnan University of Finance and Economics, clerk of the finance division of the freight insurance department, vice section chief, section chief and assistant to chief director of the accounting division of the Guangzhou Branch of PICC, deputy general manager of the finance department, deputy general manager (responsible for the operations) and general manager of the information technology department/channel management department (now known as the information technology department/sales management department) of Guangzhou Branch of PICC Property and Casualty Company Limited, researcher of the accounting department and the general office of the Bureau of Finance of Guangzhou, and chairman of the board of supervisors of Guangzhou City Construction Investment Group and Guangzhou Water Investment Group assigned by Guangzhou SASAC.

Ms. He Heng (賀珩), female, born in April 1970. She graduated from Hunan University (previously known as Hunan Finance and Economics School) and obtained a master's degree in economics and the qualification of economist. She now serves as employee supervisor and general manager of office of Board of Supervisors of Guangzhou Rural Commercial Bank. She once served as deputy director of teaching and research section, Secretary of Youth League general branch of Xiangtan University, staff member and deputy principal staff member of operation supervision division of PBOC Guangzhou Branch, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department of PBOC Guangzhou Branch, principal staff member, assistant consultant and deputy chief of policy and regulation section, deputy chief and deputy chief (responsible for the overall works) of business innovation supervision and cooperation section of CBRC Guangdong Office, deputy general manager of risk management department and credit management department (secondment position) of Guangdong Branch of Industrial and Commercial Bank of China, assistant to president of Zhujiang Financial Leasing Co., Ltd., deputy general manager (in charge) and general manager of performance management department and chief senior manager of investment and institution management department of Guangzhou Rural Commercial Bank, general manager of rural financial restructuring office of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. She was temporarily responsible for the work of Commission for Discipline Inspection (Inspection Office).

Mr. Lai Jiaxiong (賴嘉雄), male, born in October 1975, graduated from Guangdong College of Commerce with a bachelor's degree and obtained a master's degree in laws in Jinan University. He now serves as employee supervisor and general manager of the Logistics Service Department of Guangzhou Rural Commercial Bank. He concurrently serves as an expert of the expert pool of Chinese Banking Association, executive director of the Civil and Commercial Law Research Society of Guangdong Law Society, president of the Company Law Research Society of Guangzhou Law Society and a member of the Master Research and Defense Committee of South China Agricultural University. He once served as clerk of the planning and credit department, section-level member of the loan approval committee and deputy general manager of the loan approval department of Guangzhou Rural Credit Cooperative Union, deputy director of Huangpu Credit Cooperative Union (黃埔信用社), deputy general manager of credit approval department of head office of Guangzhou Rural Commercial Bank, chairman of Huixian Zhujiang Rural Bank, chief senior manager of the rural banking division (institutional development department), chief senior manager of the risk management department, general manager of the credit management center and deputy general manager of the compliance and risk management department and deputy general manager of the compliance and legal affairs center of Guangzhou Rural Commercial Bank, employee supervisor and general manager of the Compliance, Legal Affairs Department (Anti-money Laundering Center, Consumer Rights Protection Center) and Compliance and Legal Department (Anti-money Laundering Center) of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Han Zhenping (韓振平), male, born in January 1973. He was graduated from Sun Yat-sen University with a master's degree in management. He is certified public accountant and asset appraiser. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a senior partner and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership (中審眾環會計師事務所(特殊普通合夥))), and concurrently serves as an external director of Guangdong GW Holding Group Co., Ltd. (廣東省廣物控股集團有限公司), an external director of Guangzhou Public Transport Group Co., Ltd. (廣州市公共交通集團有限公司), an independent director of Guangzhou Pearl River Beer Co., Ltd. (廣州珠江啤酒股份有限公司), and vice president of Guangdong Bankruptcy Administrators Association (廣東省破產管理人協會). He once served as the financial manager of Heilongjiang Jiamusi Fumin Agricultural Production Material Co., Ltd. (黑龍江省佳木斯富民農業生產資料有限公司), the project manager of Beijing Tianhua Certified Public Accountants (北京天華會計師事務所), senior manager, deputy chief accountant and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審會計師事務所), a partner and director of Guangdong Branch of China Audit Asia Pacific Certified Public Accountants LLP (Limited Liability Partnership) (中審亞太會計師事務所(特殊普通合夥)), he concurrently served as an independent director of Guangdong HuaSheng Electrical Appliances Co., Ltd. (廣東華聲電器股份有限公司), an independent director of Guangdong Jingyi Metal Co., Ltd. (廣東精藝金屬股份有限公司), an independent director of Guangdong Real-Design Intelligence Technology Co., Ltd. (廣東瑞德智能科技股份有限公司) and an independent director of China Southern Power Grid Co., Ltd. (南方電網綜合能源股份有限公司獨立董事).

Mr. Shi Shuiping (石水平), male, born in May 1975. He graduated from Sun Yat-sen University with a doctoral degree in accounting and is an international Certified Anti-Fraud Professional. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a professor and master supervisor in the Department of Accounting, School of Management, Jinan University, a senior member of Accounting Society of China, a senior member of China Auditing Society, a director of Guangdong Auditing Society, an executive director of Guangzhou Auditing Society, and an expert member of Guangdong Enterprise Institute for Internal Controls. He is also an independent director of Guangzhou Zhujiang Development Group Co., Ltd. (廣州珠江發展集團股份有限公司), Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司), Guangdong Dinggu Jichuang Households Co., Ltd. (廣東頂固集創家居股份有限公司), Sunward Intelligent Equipment Co., Ltd. (山河智能裝備股份有限公司), and Guangdong Sihui Rural Commercial Bank Co., Ltd. (廣東四會農村商業銀行股份有限公司). He once served as a lecturer and associate professor of the accounting department, Management School of Jinan University and concurrently served as an independent director of independent director of Guangdong Yuanshang Logistics Co., Ltd. (東原尚物流股份有限公司), Shenzhen Xintian Technology Co., Ltd. (深圳市欣天科技股份有限公司), Chongqing VDL Electronics Co., Ltd. (重慶市紫建電子股份有限公司) and Yingfeng Environmental Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Huang Tianshun (黃添順), male, born in October 1968, and graduated from the School of Law of Sun Yat-sen University (bachelor's degree) and the Southwest University of Political Science and Law (master's degree). He currently serves as an external supervisor of Guangzhou Rural Commercial Bank, a senior partner and the chairman of partners meeting of the Guangdong Lingnan Law Firm (廣東嶺南律師事務所), and also serves as the arbitrator of the Guangzhou Arbitration Commission, a master's tutor of the School of Law of Sun Yat-sen University, a part-time professor of Guangdong University of Foreign Studies and the independent director of the Guangzhou Ruoyuchen Technology Co., Ltd. (廣州若羽臣科技股份有限公司). He formerly served as a public lawyer of the Shantou Justice Bureau (汕頭市司法局), director of Guangdong Guoyuan Lingdong Law Firm (廣東國源嶺東律師事務所), director of Guangdong Lingnan Law Firm (廣東嶺南律師事務所), member of the 14th/15th National Committee of the Chinese People's Political Consultative Conference of Haizhu District, chairman of first session of Lawyers' Working Committee of Haizhu District (海珠區律師工作委員會), external director of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司), independent director of Jiangxi Shimei Pharmaceutical Co., Ltd. (江西施美藥業股份有限公司), and legal adviser of CP Group (泰國正大集團), CRGL Group (中國中鐵集團), Shantou Branch of Bank of China, Shantou Branch of Industrial and Commercial Bank of China, Guangdong Branch of China Construction Bank, Haizhu Branch of China Construction Bank, Guangzhou Branch of Cinda Asset Management Company, Guangzhou Economic and Trade Bureau, Haizhu District Government, Civil Affairs Bureau of Haizhu District, United Front Work Department of Haizhu District and Public Security Bureau of Haizhu District and other Party and government organs.

Mr. Chen Jianliang (陳建良), male, born in September 1967, graduated from the Logistics Engineering Department of Lanzhou Jiaotong University with a master's degree, senior engineer. He is currently a shareholder supervisor of Guangzhou Rural Commercial Bank, the secretary of the Party Committee and the chairman of the Board of Directors of GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司), the chairman of the board of directors of each of Guangzhou GRG Banking Technology Co., Ltd. (廣州廣電銀通金融電子科技有限公司), GRG Banking Security Investment Co., Ltd. (廣州廣電銀通安保投資有限公司), Guangzhou Pingyun Craftsman Technology Co., Ltd. (廣州平雲小匠科技有限公司) and GRG Banking Information Technology Co., Ltd. (廣州廣電運通信息科技有限公司), a director of each of Guangzhou Suitong Financial Services Co., Ltd. (廣州穗通金融服務有限公司), GRG Banking Intelligent Technology Co., Ltd. (廣州廣電運通智能科技有限公司) and Beijing CTJ Info-Tech Corporation Co., Ltd. (北京中科江南信息技術股份有限公司). He once served as an electromechanical engineer, director of the design department, supply chain management manager, assistant general manager, executive deputy general manager and general manager of GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司), the chairman of the board of directors of each of Shenzhen GRG Banking Technology Co., Ltd. (深圳市廣電信義科技有限公司) and Guangzhou Suitong Financial Services Co., Ltd. (廣州穗通金融服務有限公司), a director of each of GRG Banking International Co., Ltd. (廣電運通國際有限公司), Guangzhou Zhongzhi Rongtong Financial Technology Co., Ltd. (廣州中智融通金融科技有限公司), GRG Research Co., Ltd. (廣州廣電研究院有限公司), Jiangsu Vital Fintech Data Corporation Co., Ltd. (江蘇匯通金科數據股份有限公司), Guangzhou Information Investment Co., Ltd. (廣州信息投資有限公司), GRG Banking Technology Co., Ltd. (廣州廣電匯通科技有限公司) and GRG Digital Economy Investment and Operation Co., Ltd. (廣州廣電數字經濟投資運營有限公司), as well as the general manager of GRG Banking Financial Electronic Technology Co., Ltd. (廣州廣電銀通金融電子科技有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Liang Bingtian (梁炳添), male, born in August 1973. He was graduated from China Central Radio and TV University with a bachelor's degree in management. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, deputy secretary of the Party General Branch of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司). He once served in Unit 53311 and 53320. He worked at Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司); he once served as a member of the Party branch of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司); deputy secretary of the Party General Branch and concurrently served as a member of the board of directors of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司).

Mr. Feng Jintang (馮錦棠), male, born in November 1961, obtained an MBA degree from the City University of Macau. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, director and general manager of Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司) and concurrently serves as a shareholder supervisor of Foshan Rural Commercial Bank (佛山農村商業銀行股份有限公司). He once worked in Foshan Medical Device Factory (佛山市醫療器械廠) and served as the factory manager of Foshan Aesthetic Comprehensive Furniture Factory (佛山市審美綜合家具廠), the factory director of Foshan Dongjian Aesthetic Furniture Factory (佛山市東建審美家具廠), deputy section chief and section chief of Foshan Dongjian Co., Ltd. (佛山市東建集團公司), assistant to the general manager and deputy general manager of Foshan Dongjian Group Co., Ltd., director and deputy general manager of Foshan Dongjian Group Co., Ltd., director and executive deputy general manager of Foshan Dongjian Group Co., Ltd.

Mr. Zhao Wei (趙偉), male, born in September 1964, graduated from Jinan University and obtained a master's degree in management and the qualification of intermediate accountant. He now serves as the Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank. He once served as a chief staff member and director of the quality office (at department level) of the finance department of Guizhou Rubber Parts Factory (貴州橡膠配件廠); chief accountant and chief of the finance department of Shunde Zhujiang Packaging Company in Guangdong Province (廣東省順德珠江包裝公司); cadre, principal staff member and deputy director (in charge) of the audit office of foreign capital administration in the Guangzhou Resident Office of the Audit Commission; deputy director (in charge) of the first division of the financial audit department in the Guangzhou Resident Office of the Audit Commission; director of Fixed Assets Investment Audit Office, director of Social Security Audit Office and director of Foreign Funds Utilization Audit Office; dispatched chairman of the board of supervisors of Guangzhou state-owned enterprises, namely Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司) and Guangzhou Public Transportation Group (廣州市公共交通集團有限公司); dispatched chairman of the board of supervisors of Guangzhou Flagship Development Group Co., Ltd. (a Guangzhou state-owned enterprise), and chairman of the board of supervisors and secretary of Commission for Discipline Inspection of Flagship Development Group (風行發展集團).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lin Ripeng (林日鵬), male, born in January 1970, graduated from Guangdong Academy of Social Sciences, and obtained a master's degree in advanced business administration from the Management School of Sun Yat-sen University and the qualification of political engineer and human resources professional. He now serves as vice president of Guangzhou Rural Commercial Bank (Performing the duties of President). He once served as a staff member of Shijing Credit Cooperative of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社聯合社石井信用社), assistant to section chief and deputy section chief of personnel and political engineering section of Guangzhou Baiyun Sub-branch of Agricultural Bank of China (中國農業銀行廣州市白雲支行人事政工科), deputy manager and manager of the personnel department of Baiyun Credit Cooperative of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社白雲信用社), deputy general manager and general manager of personnel and education department (human resources department) of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社) and concurrently deputy secretary of commission for discipline inspection and director of supervision office of Guangzhou Rural Credit Cooperative Union, general manager of human resources department, office general manager and general manager of property management center of Guangzhou Rural Commercial Bank, president of Henan Xinyang Zhujiang Rural Bank (河南信陽珠江村鎮銀行), and chairman of board of supervisors of Bank of Guangzhou.

Mr. Li Yaguang (李亞光), male, born in November 1967, graduated from Sun Yat-sen University with a master's degree in science. He is also a computer engineer and senior economist. He is currently the vice president of Guangzhou Rural Commercial Bank. He once served as a technician of Nanjing Jinshan Electrical Corporation (南京金山電氣公司), deputy section chief, section chief, responsible person and deputy director of science and technology department of Guangzhou Urban Credit Cooperative Union (廣州城市信用合作社), section chief, deputy general manager of science and system management department, general manager of the card department, general manager of personal banking department, section chief of Development Zone Sub-branch and general manager of science and technology research and development department of Guangzhou Commercial Bank (廣州市商業銀行), and a member of Party Committee, assistant to president and vice president of Guangzhou Bank (廣州銀行).

Mr. Guo Huahui (郭華輝), male, born in March 1971, graduated from Sun Yat-sen University, and obtained a master's degree in accounting from Dongbei University of Finance and Economics and the qualification of a senior economist. He is currently the vice president of Guangzhou Rural Commercial Bank. He once served as a staff member of the International Business Department, a deputy section-level cadre, a section chief of the International Business Department of ICBC Guangdong Branch (工商銀行廣東省分行), vice president of Huangpu Sub-branch of ICBC Guangzhou (工行廣州市花都支行), vice president (in charge of the overall work), secretary of the Party Committee and president of Huadu Sub-branch of ICBC Guangzhou, secretary of the Party Committee and president of Huangpu Sub-branch of ICBC Guangzhou (工行廣州黃埔支行), secretary of the Party Committee and president of Panyu Sub-branch of ICBC Guangzhou (廣州番禺支行), general manager of the key account financial business department (corporate business department) of the business department of ICBC Guangdong Branch, and general manager of the corporate financial business department and investment banking department of ICBC Guangdong Branch.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tan Bo (譚波), male, born in May 1974, graduated from Zhongnan University of Economics and Law, and obtained a doctoral degree in economics and the qualification of senior economist. He now serves as the assistant to president of Guangzhou Rural Commercial Bank. He once served as a staff member of financial institutions supervision department of PBOC Yangjiang City Branch; member of the Party Leadership Group and vice president of PBOC Yangdong County Branch (人民銀行陽東縣支行); deputy director of preparatory division office, chief of supervisory section 1, deputy director of office, deputy director of the party committee office (in charge of overall works), director of office, director of the Party Committee Office and head (director) of personnel department (organization division) of Yangjiang sub-division of CBRC (陽江銀監分局); member of the Party Committee and deputy head of Meizhou sub-division of CBRC (梅州銀監分局); member of the Party Committee and secretary of Commission for Discipline Inspection of Zhaoqing sub-division of CBRC (肇慶銀監分局); member of the Party Committee and deputy head of Yangjiang sub-division of CBRC (陽江銀監分局); secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局); leading post cadre of divisions, secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局) and secretary of the Party Committee and head of Jiangmen sub-division of CBRC (江門銀保監分局), and secretary of the board of directors of Guangzhou Rural Commercial Bank.

Ms. Mao Libing (毛麗冰), female, born in December 1970, graduated from Central Radio and Television University and South China University of Technology successively and obtained the qualification of senior management, MBA and economist. She is now an assistant to president of Guangzhou Rural Commercial Bank. She once served as a staff member and section member of Huangpu Sub-branch of Construction Bank of China (中國建設銀行黃埔支行), deputy director of Huangpu Sub-branch Yongfu Office (黃埔支行永福辦事處), deputy director and director of Huangpu Branch Dengfeng Office (黃埔支行登峰辦事處), section chief of the Credit Operation Section of Guangzhou Economic and Technological Development District Sub-branch of Construction Bank of China (中國建設銀行廣州經濟技術開發區支行), president of Guangzhou Jianshe Road Sub-branch (廣州市建設路支行), vice president of Guangzhou Economic and Technological Development District Sub-branch, Guangzhou Dongshan Road Sub-branch (廣州市東山支行), deputy general manager of Guangzhou Railway Customer Operation Center (廣州鐵路客戶經營中心), vice president of Guangzhou Railway Sub-branch (廣州鐵路支行), general manager of Guangzhou Personal Banking Department of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), general manager (in charge) of the institution management department of Guangzhou Rural Commercial Bank, vice president of Liwan Sub-branch (荔灣支行) (proposed, in charge), president of Liwan Sub-branch, president of Panyu Sub-branch (番禺支行) and Yangcheng Sub-branch (羊城支行), president of Panyu Sub-branch (under the jurisdiction), president of Sannong Business Group (三農業務事業群), general manager of Sannong Business Management Department (三農業務管理部), general manager of the Real Estate Finance Department (不動產金融業務部), general manager of the Financial Business Management Department (金融業務管理部) and general manager of Business Department of Head Office of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Gu Bo (古波), male, born in December 1981, graduated from South China Agricultural University with a doctoral degree in management. He is now an assistant to president of Guangzhou Rural Commercial Bank. He once served as a senior staff member, deputy director, deputy director (in charge of overall work), director and organizational member of Party General Branch, and deputy secretary of the First Party Branch of Huizhou Supervision Bureau of China Banking Regulatory Commission (中國銀行業監督管理委員會); assistant to general manager of the Development and Planning Department of Guangzhou Bank, assistant to office general manager of Guangzhou Bank, a member of the Disciplinary Inspection Committee of Guangzhou Bank, vice president, secretary of Party General Branch and president of Guangzhou Bank Huizhou Branch, director of CPC Organization Department and general manager of HR Department of Guangzhou Bank; and deputy chief of Discipline Inspection and Supervision Team of Guangzhou Municipal Commission for Discipline Inspection and Supervision in Guangzhou Rural Commercial Bank.

Ms. Wu Wenli (吳文莉), female, born in August 1978, graduated from Sun Yat-sen University with a bachelor's degree in law. She now serves as secretary of the Board of Directors of Guangzhou Rural Commercial Bank. She once served as a staff member of Investment and Development Department of CITIC South China (Group) Co., Ltd. (中信華南(集團)有限公司), the customer manager of the Corporate Credit Department of Yuexiu Sub-branch of Guangzhou Branch of Shanghai Pudong Development Bank (上海浦東發展銀行廣州分行越秀支行), member of the Credit Review Department, member of the Credit Operation Center and chief staff member of the Legal Compliance Department, office manager, and office assistant to general manager of Guangzhou Branch of Shanghai Pudong Development Bank, vice president of Yuexiu Sub-branch of Guangzhou Branch of Shanghai Pudong Development Bank, vice president of Tianyu Sub-branch (天譽支行) of Guangzhou Branch of Shanghai Pudong Development Bank, president of Development District Sub-branch (開發區支行) of Guangzhou Branch of Shanghai Pudong Development Bank, head of Party Committee Office, director of Propaganda Department of Party Committee, office assistant to general manager of Guangzhou Branch of Shanghai Pudong Development Bank, general manager of the Security Department (concurrent) and general manager of Consumer Rights and Interests Protection and Service Management Department (concurrent).

Chen Linjun (陳林君), female, born in November 1972, graduated from The Open University of China (formerly China Central Radio and TV University) (國家開放大學(原中央廣播電視大學)) and obtained the qualification of assistant economist. She now serves as business director and concurrently as the general manager of Retail Finance Department (Consumer Rights Protection Center) of Guangzhou Rural Commercial Bank. She once served as system administrator of Computer Management Department and Deputy Section Chief (responsible of the operations) of the Accounting Department of Huangpu Sub-branch of Guangzhou Branch of China Construction Bank Corporation (中國建設銀行廣州市分行黃埔支行); assistant to general manager of Business Operations Center of Guangzhou Branch of China Construction Bank Corporation (中國建設銀行廣州市分行); assistant to general manager of the Personal Banking Department and general manager of E-banking Center of Guangzhou Branch of China Construction Bank Corporation; deputy general manager (responsible of the operations) of the Accounting Management Department of Guangzhou Rural Credit Cooperative Union (廣州農村信用合作聯社); general manager of the Operational Management Department of Guangzhou Rural Commercial Bank, general manager of the E-banking Department and general manager of the Operation management Department, person-in-charge of E-commerce and Process Bank Project Team, president of Retail Financial Business Group, general manager of Retail Financial Business Management Department of Guangzhou Rural Commercial Bank and general manager of FinTech Department (concurrent).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Yang Xuan (楊璇), female, born in December 1976, graduated from Shanghai University of Finance and Economics and obtained a master's degree in business administration, a master's degree in law in Jinan University and the qualification of economist. She now serves as business director and general manager of the Financial Interbank Department of Guangzhou Rural Commercial Bank. She once served as a credit staff member of the Credit Planning Department, deputy manager of Legal Office, deputy manager of the Asset Security Department and manager of the Marketing Department of Operation Center of Guangzhou Tianhe Rural Credit Cooperative Union (廣州市天河農村信用合作聯社); deputy general manager of the Corporate Business Department and general manager of the Compliance and Risk Department of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作聯社公司); general manager of Corporate Financial Department, general manager of the International Business Department of Guangzhou Rural Commercial Bank and general manager of the Corporate Financial Department of the Bank, deputy general manager of Guangzhou Region Business Management Department, vice president and executive president of Corporate Financial Management Department and general manager of Guangzhou Region Business Management Department, president of Free Trade Zone Nansha Branch (自貿區南沙分行) of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. (珠江金融租賃有限公司) and concurrently as the president of Sun Financial Business Department (太陽金融事業部).

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

As of the Latest Practicable Date, Mr. Zhang Weiguo has ceased to serve as president of the School of Business Administration of South China University of Technology. Mr. Zuo Liang has resigned as chairman of Guangzhou Huiyin Huiji Investment Fund Management Co., Ltd. (廣州匯垠匯吉投資基金管理有限公司) and served as executive director of GIIHG Venture Capital Fund Management Co., Ltd. (廣州工控創業投資基金管理有限公司) and executive director of GIIHG Industrial Investment PE Fund Management Co., Ltd. (廣州工控產投私募基金管理有限公司) and chairman of board of supervisors of Jiangsu Rainbow Heavy Industries Co., Ltd. (江蘇潤邦重工股份有限公司). Ms. Feng Kaiyun has ceased to serve as chairman and acting chairman of Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司). Mr. Lai Zhiguang serves as president of Guangdong Dongsheng Holding Group Co., Ltd. (formerly Guangdong Dongsheng Industrial Group Co., Ltd.) (廣東東升控股集團有限公司(原名為廣東東升實業集團有限公司)), president of Guangdong Dongsheng Industrial Co., Ltd. (formerly Guangzhou Dongsheng Investment Co., Ltd.) (廣東東升實業有限公司(原名為廣州市東升投資有限公司)), member of the standing committee of the All-China Youth Federation (全國青聯), and Guangdong CPPCC member.

As at the latest Practicable Date, Mr. Han Zhenping has ceased to serve as an independent director of China Southern Power Grid Co., Ltd. (南方電網綜合能源股份有限公司). Mr. Shi Shuiping has ceased to serve as an independent director of Yingfeng Environmental Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司), and now served as an independent director of Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司). Mr. Chen Jianliang has ceased to serve as the general manager of GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司), and now served as the secretary of the Party Committee and the chairman of the Board of Directors of GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司).

As at the latest Practicable Date, Mr. Lin Ripeng performed the duties of President of the Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN THE BANK

As of the Latest Practicable Date, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of Interest	Class of shares	Long/Short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interests in the Bank	Approximate percentage of the relevant class of shares of the Bank
Feng Yaoliang	Director	Interest of a controlled corporation ⁽¹⁾	Non-overseas listed shares	Long	100,010,000	0.873%	1.072%
Lai Zhiguang	Director	Interest of a controlled corporation ⁽²⁾	Non-overseas listed shares	Long	62,500,000	0.546%	0.670%
Liao Wenyi	Director	Beneficial owner	Non-overseas listed shares	Long	1,103,000	0.010%	0.012%
Lai Jiaxiong	Supervisor	Beneficial owner	Non-overseas listed shares	Long	452,224	0.004%	0.005%

Notes:

- (1) These shares were held by Guangzhou Huaxin Group Co., Ltd., which was owned as to 99.54% by Feng Yaoliang. Therefore, by virtue of the SFO, Feng Yaoliang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huaxin Group Co., Ltd..
- (2) These shares were held by Guangdong Dongsheng Industrial Co., Ltd., which was owned as to 100% by Guangdong Dongsheng Holding Group Co., Ltd., and Lai Zhiguang owned 80% of the shares of Guangdong Dongsheng Holding Group Co., Ltd.. Therefore, by virtue of the SFO, Lai Zhiguang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangdong Dongsheng Industrial Co., Ltd..

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors', chief executives' and supervisors' interests in the Bank's associated corporations					
Name	Capacity	Name of associated corporation	Nature of Interest	Number of shares held (Share)	Approximate percentage in the issued Shares in the associated corporation
Lai Zhiguang	Director	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Interest in a controlled corporation	10,000,000	2.86%

Save as disclosed above, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise 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 Listing Rules.

VI. REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank, under the guidance of relevant national policies, continues to improve the remuneration management measures and performance evaluation system of directors, supervisors and senior management. The remuneration of the directors, supervisors and senior management of the Bank appointed by the organization department of municipal party committee shall be subject to the provisions of the relevant supervisory departments. The remuneration of non-executive directors (including independent directors), external supervisors and shareholder supervisors consists is determined in accordance with the relevant standards of the Implementation Measures for the Remuneration Standards of Directors and Supervisors of Guangzhou Rural Commercial Bank Co., Ltd.* (《廣州農村商業銀行股份有限公司董事、監事薪酬標準實施辦法》) approved by the 2014 annual general meeting of the Bank, which mainly consists of basic remuneration and allowances. The annual basic remuneration is relatively fixed and the allowances are determined based on the meeting attendance and the service time in the Bank, among other factors.

During the Reporting Period, Mr. Zuo Liang, a non-executive director of the Bank agrees to waive the director's remuneration arrangement for 2022.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VII. REMUNERATION OF THE BANK'S SENIOR MANAGEMENT IN 2022

The remuneration of senior management by remuneration group for the year ended 31 December 2022 is as follows:

Remuneration range	Number of persons
RMB500,001 – RMB1,000,000	1
RMB1,000,001 – RMB1,500,000	4
RMB1,500,001 – RMB2,000,000	3

VIII. THE INFORMATION OF EMPLOYEES OF THE BANK

(I) The Basic Information of Employees

As of the end of 2022, the total number of employees of the Group was 13,975. Of which, 13,342 employees entered into labor contracts with the Group, and 633 employees were dispatched workers.

1. Gender composition of in-service employees

Gender composition	Number of persons	Percentage
Male	7,333	52.47%
Female	6,642	47.53%

2. Educational background composition of in-service employees

Educational background composition	Number of persons	Percentage
College and below	3,655	26.15%
Undergraduate	9,048	64.75%
Postgraduate and above	1,272	9.10%

3. Age composition of in-service employees

Age composition	Number of persons	Percentage
29 years old and below	3,288	23.53%
30-49 years old	8,462	60.55%
50 years old or above	2,225	15.92%

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration Policy of the Bank

During the Reporting Period, the Bank's remuneration policy remained basically stable. According to the requirements of corporate governance, the Bank established and improved the remuneration system and remuneration management mechanism. The Board of Directors of the Bank is ultimately responsible for the remuneration management. The Nomination and Remuneration Committee of the Board of Directors is responsible for consideration and approval the remuneration management system and policies of the entire Bank, formulating the remuneration scheme of Directors and senior managers, proposing the remuneration scheme to the Board of Directors and supervising the implementation of the scheme.

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks and the Measures for the Implementation of the Reform of Wage Determination Mechanism in State-owned Financial Enterprises, the Bank's total wages are mainly dynamic adjustment and reasonable adjustment, based on the linkage of factors such as serving the real economy, key areas of economic development, economic benefits, shareholder return and risk control, and combined with the Bank's development strategy, operating profit objectives, personnel size and labor productivity, labor input-output rate and non operational external factors. The Bank's payroll management implementation plan, payroll budget and final accounts shall be reported to the superior regulatory department as required.

The remuneration of the Bank's employees consists of fixed remuneration, variable remuneration and welfare income. Fixed salary includes basic salary and subsidies, variable salary includes performance salary and delayed payment of all kinds of performance salary, and welfare income includes social insurance premium, housing provident fund, enterprise annuity, etc.

Following the concept of "performance appraisal leading development" and based on the assessment idea of "undertaking strategy, benchmarking with peers, maintaining true colors and emphasizing core", the Bank established a performance appraisal system composed of indicators such as core development, business efficiency, compliance risk and business transformation, highlighted the responsibilities of risk management subjects and high-quality development requirements, and continued to improve the efficiency of resource allocation.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank has formulated the Measures for the Administration of Salary Deferred Payment of Guangzhou Rural Commercial Bank and the Measures for the Administration of Salary Recourse and Deduction of Guangzhou Rural Commercial Bank to include the personnel of relevant positions required by the regulations in the scope of salary deferred payment, and implement salary recourse deduction for the relevant personnel in accordance with the regulations. The deferred payment of salary is linked to the release of business risks for which employees are responsible, and shall be reasonably determined in accordance with the performance realization and risk changes of different business activities. If the target of salary deferred payment causes risk losses (including actual or expected financial losses due to risk assets, liability incidents, economic cases and economic disputes, etc.) to the Bank due to business risk exposure, non-compliances and disciplinary offenses or dereliction of duty, or is responsible for the occurrence of such losses, and if there exists dereliction of duty or non-compliances in the course of operation of the staff involved in each part of credit management processes, the Bank will put forward accountability and punishment plans and implement deferred payment and salary deduction.

The Bank's remuneration management policy is applicable to all employees who have established a labor contract relationship with the Bank, and there are no exceptions beyond the original remuneration scheme.

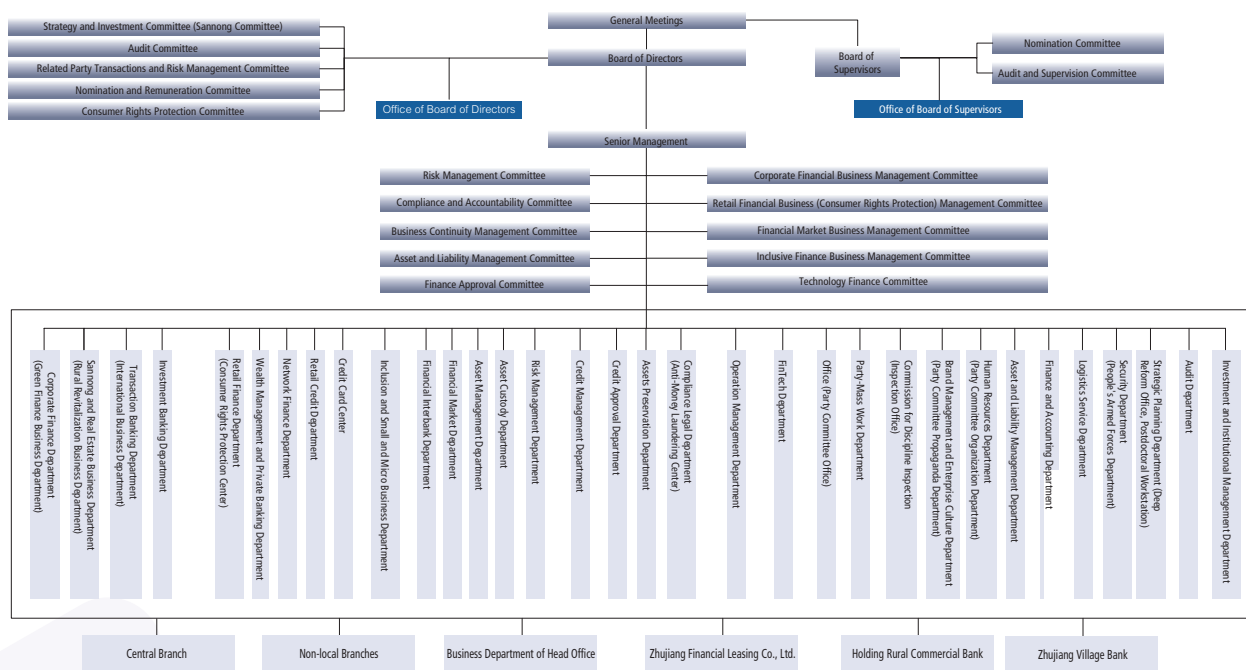
(III) Training of Employees

The Bank has always attached importance to the enhancement of the professionalism and professional quality of its employees. In 2022, the Bank adhered to the guidance of the Socialist Thought with Chinese Characteristics for a New Era proposed by Xi Jinping, fully implemented the spirit of the previous various Plenary Sessions of the 19th CPC Central Committee and the 20th National Congress of the CPC, and vigorously promoted education and training work in a solid, innovative and excellent manner, highlighting the political, professional and practical aspects. It carried out our work mainly focusing on "four main lines", including Party building to guide the development, reshaping the capacity of the 14th Five-Year Plan, strengthening the cadre team and enhancing humanistic qualities, and totally had advanced more than 490 projects, covering more than 70,000 trainees, launched 410 live online training sessions, with 82 hours of online learning per person, and conducted a series of special training in a in-depth and solid manner, focusing on key positions such as integrated client managers, risk managers, product managers and financial technology personnel. At the same time, the Bank continued to optimise the growth path of its management cadres and organised special trainings in various ways, including internal training, external training and job-transfer training, covering topics such as Party affairs, disciplinary inspection and supervision, internal audit, human resources management, financial management, performance management, office management and procurement management. Among them, 20 sessions of finance-related training and 7 sessions of internal audit training were conducted, mainly to enhance the quality of the staff team, so as to provide organisational assurance and talent support to promote the quality development of the Bank.

CORPORATE GOVERNANCE REPORT

I. CORPORATE STRUCTURE

The Group's organisation chart as of the Latest Practicable Date:



II. CORPORATE GOVERNANCE OVERVIEW

During the Reporting Period, the Bank continued to improve the standardization of corporate governance and ensured to reach the corporate governance level of listed companies, so as to protect the rights and interests of stakeholders and enhance corporate value.

During the Reporting Period, the Bank has strictly complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and has also complied with most of the recommended best practices contained therein. The Bank has also strictly complied with relevant laws and regulations and the Listing Rules and other provisions on inside information management. There is no significant difference between the Bank's corporate governance status and the requirements of the Company Law and the relevant provisions of the China Banking and Insurance Regulatory Commission and the Hong Kong Stock Exchange.

The Bank will continue to review and strengthen its corporate governance to ensure that its corporate governance continues to comply with the provisions of the Corporate Governance Code and meet the higher expectations of shareholders and investors.

III. SHAREHOLDERS' GENERAL MEETING

(I) Duties of the Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Bank. Pursuant to the Articles of Association, it shall exercise the following powers in accordance with the laws: to decide on business policies and investment plans of the Bank; to elect and change of directors and supervisors who are non-employee representatives and to determine the remunerations of relevant directors and supervisors; to consider and approve reports prepared by the Board of Directors; to consider and approve reports prepared by the Board of Supervisors; to consider and approve annual budgets, final accounts, balance sheet, profit and loss and other financial reports of the Bank; to consider and approve profit distribution plans and plans for making up for losses of the Bank; to adopt resolutions concerning the increase and reduction of the registered capital of the Bank; to resolve the issuance of bonds and other securities of the Bank and the listing thereof; to adopt resolutions on the merger, division, dissolution, liquidation and change of the form of the Bank; to amend the Articles of Association; to resolve the appointment, reappointment or removal of the accounting firm which conducts regular statutory audits of the Bank's financial reports; to consider the matters of single acquisition and disposal of significant assets (including but not limited to equity, fixed assets and other assets), or the matters of which guaranteed amount exceeds ten percent of the audited net assets of the Bank in the latest period; to consider and approve any proposals submitted by any shareholder individually or collectively holdings more than three percent of the total voting shares of the Bank (including holders of preference shares with their voting rights restored); to decide on the issuance of preference shares, decide or authorize the Board of Directors to decide, any matters in relation to the preference shares issued by the Bank; to consider and approve the rules of procedure of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; to consider and approve the equity incentive scheme; to adopt resolutions on the acquisition of shares of the Bank in accordance with the laws; to consider and approve any other matters required by the laws, administrative regulations, regulatory provisions and the Articles of Association to be approved by shareholder's general meetings.

(II) Shareholders' Rights

1. *Convening EGM*

Pursuant to the Articles of Association, shareholders' request to convene an extraordinary general meeting ("EGM") or a class meeting of shareholders shall be submitted to the Board of Directors in writing and handled in accordance with the following procedures:

Two or more shareholders (including holders of preference shares with their voting rights restored) who hold more than 10% of the voting shares in total at the proposed meeting may sign one or more written requests in the same format and content to request the Board of Directors to convene an EGM or a class meeting of shareholders and describe the topics of the meeting. The aforesaid number of shares held shall be calculated according to the date when the shareholders submit a written request. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association of the Bank, give a written feedback on whether to agree or disagree to convene the EGM or the class meeting of shareholders within ten days after receiving the request.

CORPORATE GOVERNANCE REPORT

If the Board of Directors agrees to convene the EGM or the class meeting of shareholders, it shall issue a notice of convening such meeting within five days after the Board of Directors' resolution is made. Any change to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Directors does not agree to convene the EGM or the class meeting of shareholders, or does not give feedback within 10 days after receiving the request, the shareholder(s) individually or collectively holding more than 10% of the voting shares at the proposed meeting (including holders of preference shares with their voting rights restored) shall be entitled to propose to the Board of Supervisors to convene the EGM or the class meeting, and shall submit a request to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene the EGM or the class meeting of shareholders, it shall send a notice of convening such meeting within five days after receiving the request. Any change to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to send the notice of the EGM or the class meeting of shareholders within the prescribed time limit, it shall be deemed that the Board of Supervisors does not convene and preside over such meeting, and after more than 90 consecutive days later, the shareholder(s) individually or collectively holding more than 10% of the voting shares at the proposed meeting (including holders of preference shares with their voting rights restored) for may voluntarily convene and preside over a meeting.

When convening the general meeting, the Bank shall fully protect the legitimate rights and interests of all shareholders attending the meeting. During the general meeting, the Bank shall set up Q&A session for shareholders to earnestly answer shareholders' questions and promote effective deliberation and decision-making.

2. Putting forward Proposals to the General Meeting of the Bank

Pursuant to the Articles of Association, when the Bank holds a general meeting of shareholders, the Board of Directors, the Board of Supervisors and the shareholder(s) (including holders of preference shares with their voting rights restored) individually or collectively holding more than 3% of the total number of voting shares of the Bank shall be entitled to submit proposals to the Bank in writing. The Bank shall include the matters in the proposal within the scope of responsibilities of the general meeting of shareholders on the topics of the meeting.

The shareholders (including holders of preference shares with their voting rights restored) individually or collectively holding more than 3% of the total number of voting shares of the Bank may put forward interim proposals and submit them to the convener in writing ten days before the convening of the general meeting of shareholders. The convener shall, within two days after receiving the proposals, issue a supplemental notice of the general meeting and announce the contents of the interim proposals. If there are other provisions in the listing rules of the place where the Bank's securities are listed, they shall be met at the same time.

3. Shareholder Communication Policy

The purpose of the Bank's shareholder communication policy is to ensure that the Bank publicly discloses its latest operation and management through different media and channels through an effective communication mechanism, strengthen the communication between shareholders and stakeholders and the Bank, solicit and understand the suggestions and opinions of shareholders, and review the implementation of communication policy. The Bank encourages shareholders to attend the general meeting of shareholders, and shareholders who are unable to attend may entrust their proxies to vote. The general meeting of shareholders will appropriately arrange directors, supervisors, senior management and external auditors to attend the meeting, especially the chairman of each committee under the Board of Directors (if the relevant chairman fails to attend, another member will be invited to attend).

The Bank attaches great importance to communicate with all stakeholders, including shareholders, and reviews and discusses the Bank's communication policy, communication mechanism and the implementation with shareholders in the Corporate Social Responsibility Report and the Board of Directors' Report every year, and continuously strives to strengthen close ties with all stakeholders, including shareholders and is satisfied with the implementation of the policy.

Shareholders and investors may obtain the latest news and important information on the Bank's main development through the Bank's official website (www.grcbank.com) and the HKExnews webpage of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders may also apply to the Bank or the share registrar for the published corporate communications of the Bank, including annual reports, interim reports and circulars. In order to support environmental protection and reduce the impact of printed materials on the environment and climate, the Bank encourages shareholders and investors to choose to collect and browse the electronic version of corporate communications.

4. Shareholder Inquiry and Contact

The shareholders of the Bank may also make inquiries, suggestions or opinions to the Board of Directors through the following ways:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Tel: +85228628555
Fax: +85228650990

If shareholders and investors have any inquiries about their non-overseas listed shares held, such as share transfer and pledge, change of address and report of lost share certificates, please write to the following address:

Office of the Board of Directors of the Bank
No. 1, Huaxia Road, Tianhe District, Guangzhou, China
Tel: (8620)28019324
Fax: (8620)22389227
E-mail: ir@grcbank.com

CORPORATE GOVERNANCE REPORT

(IV) Convening of the General Meeting of the Bank

In 2022, the Bank convened a total of three general meetings, with the details as follows:

(I) 2022 First EGM

The Bank convened the 2022 first EGM in Guangzhou city, Guangdong province, on 18 February 2022, a total of 106 shareholders (including proxies) attended the meeting, and eleven then directors of the third session of the Board of Directors of the Bank including executive directors, Mr. Cai Jian, Mr. Yi Xuefei and Mr. Zhang Jian, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, non-executive directors, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Zhuang Yuemin attended the 2022 first EGM.

The Proposal in Relation to the Consideration of Capital Injection to the Bank's Subsidiary Beijing Mentougou Zhujiang County Bank Company Limited was considered and approved at the 2022 first EGM.

The convening of the EGM was in compliance with the corresponding legal procedures. The notice, convoking, convening and voting processes of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant results of the resolutions, please refer to the announcement on the poll results of the 2022 first EGM dated 18 February 2022 on the Hong Kong Stock Exchange and the website of the Bank.

(II) 2021 AGM

The Bank convened the 2021 AGM in Guangzhou city, Guangdong province, on 16 June 2022, a total of 125 shareholders (including proxies) attended the meeting, and the ten then directors of the third session of the Board of Directors of the Bank including executive directors, Mr. Cai Jian and Mr. Yi Xuefei, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, and non-executive directors, Mr. Zhang Junzhou, Mr. Zhuang Yuemin and Mr. Lai Zhiguang attended the 2021 AGM of the Bank.

The resolutions were considered and approved at the 2021 AGM, including the Resolution on Consideration of the 2021 Work Report of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the 2021 Work Report of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the 2021 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the 2021 Financial Final Accounts Report of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the 2022 Financial Budget Report of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the 2021 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the Engagement of the Accounting Firm to Undertake the Group's Audit Business in 2022 and the Bank's Interim Review Business in 2022, the Resolution on Consideration of election of Directors of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Election of Mr. Chen Jianliang as the Shareholder Supervisor of the Third Session of the Board of Supervisors of

CORPORATE GOVERNANCE REPORT

Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of Amendments to the Rules of Procedure of the General Meeting of Shareholders of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), the Resolution on Consideration of Amendments to the Rules of Procedure of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), the Resolution on Consideration of Amendments to the Rules of Procedure of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), the Resolution on Consideration of the 2021 Report on Financial Services for Agriculture, Rural Areas and Farmers of Guangzhou Rural Commercial Bank Co., Ltd., the Resolution on Consideration of the Estimated Amount of Daily Related Party Transactions of Guangzhou Rural Commercial Bank in 2022, the Resolution on Consideration of the Issuing of Tier 2 Capital Bonds of Guangzhou Rural Commercial Bank Co., Ltd. and the Resolution on Consideration of Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised).

The convening of the AGM was in compliance with the corresponding legal procedures. The notice, convoking, convening and voting processes of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant results of the resolutions, please refer to the announcement of the poll results of the 2021 AGM dated 16 June 2022 on the Hong Kong Stock Exchange and the website of the Bank.

(III) 2022 Second EGM

The Bank convened the 2022 second EGM in Guangzhou city, Guangdong province, on 19 August 2022, a total of 118 shareholders (including proxies) attended the meeting, and nine then directors of the third session of the Board of Directors of the Bank including executive director, Mr. Cai Jian, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, non-executive directors, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Zhuang Yuemin attended the 2022 Second EGM.

A total of 3 proposals were considered and approved at the 2022 second EGM, including the Proposal on Electing Mr. Huang Tianshun as the External Supervisor of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd., the Proposal on Consideration Issues in Relation to the Transfer of Equity in Zhujiang Financial Leasing Co., Ltd., and the Proposal on Considering the Extension of the Validity Period of the Issuance of Financial Bonds.

The convening of the EGM was in compliance with the corresponding legal procedures. The notice, convoking, convening and voting processes of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant results of the resolutions, please refer to the announcement on the poll results of the 2022 second EGM dated 19 August 2022 on the Hong Kong Stock Exchange and the website of the Bank.

CORPORATE GOVERNANCE REPORT

V. BOARD OF DIRECTORS

(I) Board Composition

As of the practicable date of the Report, the Board of Directors consisted of 13 Directors, including one executive Director, namely Mr. Cai Jian (Party Secretary and Chairman); six non-executive Directors, namely Mr. Da Hengcheng, Mr. Zuo Liang, Ms. Feng Kaiyun, Mr. Zhang Junzhou, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and six independent non-executive Directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Weiguo, Mr. Zhang Hua and Mr. Ma Hok Ming. For changes of the Directors, please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this Report.

Each term of office of a Director (including non-executive Directors) of the Bank is three years and he/she may serve consecutive terms if re-elected. Upon expiry of the office term of three years, an independent non-executive Director of the Bank shall be eligible for re-election and re-appointment as independent non-executive Director of the Bank. An independent non-executive Director shall serve in the Bank for no more than a cumulative period of six years.

The list of Directors (by category of Directors) of the Bank is disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules of the Hong Kong Stock Exchange .

(II) Duties of the Board

The Board of Directors is responsible for formulating the management system and monitoring the Group’s business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group’s governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Rights Protection Committee. The details of the above committees are set out in this Report.

Pursuant to the Articles of Association, the Board of Directors of the Bank assumes the ultimate responsibility for the Bank’s operations and management and exercises the following duties and powers according to law: to convene shareholders’ general meetings and report its work to the shareholders’ general meetings; to implement the resolutions of the shareholders’ general meetings; to formulate the development strategy of the Bank and supervise the implementation of the strategy; to decide on the business plans and investment plans of the Bank; to prepare the annual financial budgets and final accounts of the Bank; to prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank; to formulate the capital planning of the Bank and take ultimate responsibility for capital and solvency management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing and assume primary responsibility for the Bank’s capital management; to prepare plans for the Bank’s material acquisitions, acquisitions of the Bank’s shares, or merger, division, dissolution and alteration of corporate form of the Bank; to consider and approve the Bank’s external investments, purchase of assets, disposal and write-off of assets, pledge of assets, related party transactions, data governance, external donations, external guarantees, entrustments of others to manage the Bank’s

CORPORATE GOVERNANCE REPORT

funds or other assets of the Bank in accordance with laws, regulations, regulatory provisions and the Articles of Association, except for material matters regulated in the Articles of Association of the Bank, which shall be decided by the shareholders' general meeting; to take ultimate responsibility for the management of related party transactions; the Board of Directors shall make a special report on the overall situation of related party transactions to the shareholders' general meeting every year and submit it to CBIRC or its dispatched offices; to decide on the establishment of internal management structure of the Bank; as proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the secretary to the Board of Directors, the auditor and their remuneration, rewards and punishments based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management personnel as determined by the Board of Directors and the supervision and management institutions, and their remuneration, rewards and punishments based on the proposals of the president; to formulate the basic management system of the Bank; to formulate the Bank's risk tolerance, risk management and internal control policies, and assume ultimate responsibility for overall risk management; to take the ultimate responsibility for the compliance of the Bank's business activities; to prepare any amendment proposals to the Articles of Association of the Bank; to formulate the rules of procedure of the shareholders' general meeting, the rules of procedure of the Board of Directors and the modification plan, and examine and approve the working rules of the special committees of the Board of Directors; be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank; to determine the job responsibilities for management, including the President, the Vice President, the assistant to president, the secretary to the Board of Directors, the auditors and the business directors; to monitor the performance of senior management; to listen the work report from the President and inspect the work of the President; the Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules, establish corresponding measures; the Board of Directors shall establish an information reporting system, requiring the senior management to report regularly to the Board of Directors and the Directors on the operation and management of the Bank; to evaluate and refine the corporate governance of the Bank on a regular basis; to protect the legitimate interests of financial consumers and other stakeholders; to assume the management responsibilities of shareholders' affairs; to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; to assume the management responsibilities promised by the substantial shareholders; to take the ultimate responsibility for the formulation and updating of recovery plan and disposal plan proposals; to take the ultimate responsibility for management of business continuity, response management of emergency, risk management of reputation, risk management of internet loan, anti-money laundering and anti-terrorist financing, consumer rights protection, data governance, etc.; to assume the responsibility for determining the green credit development strategy; to take the ultimate responsibility for remuneration management; to propose to the shareholders' general meeting the appointment, reappointment or removal of accounting firm that conducts regular statutory audit of the financial reports of the Bank; to assume the responsibility for establishing and improving the Directors' performance records; to take the responsibility for formulating the professional norms and value standards to be followed by the Board of Directors and the senior management; to draw up an equity incentive plan; to take the responsibility

CORPORATE GOVERNANCE REPORT

for ensuring that the Bank has established and implemented an adequate and effective internal control system and that the Bank operates prudently within the legal and policy framework; to take the ultimate responsibility for the establishment, operation and maintenance of the internal audit system, as well as the independence and effectiveness of the internal audit; to take the responsibility for fulfilling corporate governance responsibilities, making strategic decisions related to the environment, and effectively governing and overseeing ESG issues; and to exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

The Board of Directors is responsible for performing corporate governance. It has defined the Bank's corporate governance policy and has formulated the rules of procedure of the Board of Directors and the special committees. As at the end of 2022, the Board of Directors continued to review the Bank's corporate governance policies and regular rules and made recommendations to the Board of Directors for continuous improvement and enhancement. The Board of Directors continued to pay attention to the training and continuous professional development of directors and senior management officers, and continuously enhanced the comprehensive quality of key management officers; the Board of Directors paid continuous attention to the Bank's compliance with laws and regulations, regulatory rules, and regularly received reports on risk management and compliance management and examined the relevant situation; the Board of Directors kept motivating the employees and directors of the Bank to strengthen their compliance with the high standards of code of professional ethics as required by laws and regulations, regulatory rules, the Bank's Articles of Association and internal management system; the Board of Directors paid continuous attention to and discusses the Bank's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report, etc. In general, the Board of Directors of the Bank has performed its corporate governance as set out in the Corporate Governance Code during the Reporting Period.

(III) Procedures for Electing and Appointing Board Members

In accordance with the Articles of Association of the Bank, Directors are elected or changed by the shareholders' general meeting, and serve a 3-year term of office. Directors may serve consecutive terms if re-elected. For a Director, the term of office starts from the date of approval by the banking regulator under the State Council and ends when the session of the Board expires. The shareholders' general meeting shall not dismiss any Director for no reason before the expiration of his or her term of office.

If a Director's term expires but no new Director is elected in time, the original Director shall still perform his or her duties in accordance with laws, regulations, regulatory requirements and the Bank's Articles of Association of the Bank before the new Director takes office.

Directors can also be the President or other senior management officers. However, Directors that are also senior management officers and directors that are employees representatives shall not represent more than half of the total number of the Directors of the Bank, and the number of Directors that are senior management shall not be less than two.

Board members can include employee representatives of the Bank. After elected by the employee congress, Directors that are employee representatives will directly enter the Board, and the Board will report that to the shareholders' general meeting.

CORPORATE GOVERNANCE REPORT

The proportion of Directors and independent non-executive Directors, who have a global vision, rich management experience and expertise in finance, accounting, risk management, financial management and fintech, can be properly increased on the Board.

After a Director is elected and approved by the banking regulator of the State Council, the Bank shall sign an appointment contract with the elected Director in time, which, in accordance with laws, regulations and the Articles of Association of the Bank, shall clearly specify the rights and obligations of the Bank and the Director, the Director's term and liability for violating laws, regulations or the Articles of Association of the Bank, as well as the compensation made by the Bank for canceling the said appointment contract ahead of time for some reason.

(IV) Operation of the Board of Directors

The Board of Directors convenes regular meetings, generally no fewer than four times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for Board meetings is drafted upon regular consultation with each Director. Regular meetings are usually circulated to all Directors and supervisors at least 14 days in advance of board meetings. All Directors keep contact with the office of Board of Directors, to ensure compliance with board procedures and all applicable rules.

Detailed minutes of meetings of the Board of Directors are maintained and are available to all participating Directors for their review and comments after the conclusion of such meeting. The finalized minutes of meetings of the Board of Directors will be sent to all Directors as soon as possible. The minutes of meetings of the Board of Directors are kept according to the file management regulations of the Bank and are available for inspection by Directors at any time.

A sound communication and reporting mechanism has been established among the Board of Directors, Directors and senior management of the Bank. The senior management and its members of the Bank report to and are supervised by the Board of Directors. Relevant members of senior management are invited to meetings of the Board of Directors from time to time to provide explanations or answers to inquiries.

Directors can express their opinions freely at meetings of the Board of Directors, and major decisions are made after detailed discussions. A Director shall abstain from discussion and voting at a meeting of the Board of Directors on any proposal in which he is materially interested, and shall not be counted in the quorum for such proposal.

The Board of Directors has set up an office as its working body, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of the special committees under the Board of Directors, information disclosure and other routine matters.

CORPORATE GOVERNANCE REPORT

(V) Chairman and President

The roles and duties of the Chairman and the President of the Bank are performed by different persons, and their respective duties are clearly defined and in compliance with the requirements of Corporate Governance Code. Mr. Cai Jian was the Chairman of the Bank and exercised the duties of presiding over the general meetings and convening and chairing the Board meetings, supervising and checking the implementation of the Board resolutions. To assist the Board in discussing all important and relevant matters at proper times, the Chairman communicates fully with the senior management to ensure that the Directors receive appropriate, complete and accurate information in time for their consideration and decision making and the Board runs effectively.

By means like visits and talks, phone communication, written consultation and investor hotline, the Chairman maintained active and effective contact with shareholders, carefully listened to shareholders' opinions and suggestions about the Bank's operation and management, and conveyed shareholders' opinions to the Board of Directors in appropriate ways, to increase effective communication between the Board of the Directors and stakeholders including shareholders.

Through meetings, face-to-face talks and written discussions, the Chairman actively increased communication with independent non-executive Directors. By consulting the information provided by the Bank on a regular or irregular basis and through other independent and objective external channels, independent non-executive Directors can learn about the external economic and financial environment which the Bank relies on for development and market comments on the Bank. Also, they can maintain close and effective communication with the Chairman of the Bank on matters they are concerned about by multiple means, and contribute to the Bank's high-quality development by giving positive opinions and suggestions.

During the Reporting Period, Mr. Yi Xuefei, the President of the Bank, performed duties of presiding over the management of the Company, executing the strategic plan of the Company and reporting to the Board of Directors. Mr. Yi Xuefei resigned as President of the Bank on 20 February 2023.

CORPORATE GOVERNANCE REPORT

(VI) Board Meetings

During the Reporting Period, the third session of the Board of Directors of the Bank convened 17 meetings (including written resolution meetings) in total, including 11 on-site meetings and 6 written resolution meetings, at which 104 proposals were considered and approved on matters mainly including the 2021 Annual Report and the 2022 Interim Report.

The list of Directors participated in the meetings during 2022 is as follows:

Attendance/meetings convened	Director	Board Meetings ¹	Meetings of Strategy and Investment Committee (Sannong Committee) ¹	Meetings of Related Party Transactions and Risk Management Committee ¹	Meetings of Audit Committee ¹	Meetings of Consumer Rights Protection Committee ¹	Meetings of Nomination and Remuneration Committee ¹
Executive Directors	Cai Jian	17/17	10/10	-	-	-	-
	Yi Xuefei ²	17/17	10/10	-	-	1/5	-
	Zhang Jian ³	10/17	6/10	6/12	-	-	-
Independent non-executive Directors	Liao Wenyi ⁴	17/17	-	3/12	7/7	4/5	5/5
	Du Jinmin	17/17	10/10	12/12	7/7	-	-
	Tan Jinsong	17/17	10/10	12/12	7/7	-	-
	Zhang Weiguo ⁵	4/17	-	3/12	-	-	2/5
	Zhang Hua	17/17	-	12/12	-	5/5	5/5
	Ma Hok Ming	17/17	-	-	7/7	-	5/5
Non-executive Directors	Da Hengcheng ⁶	4/17	3/10	-	-	1/5	-
	Zuo Liang	17/17	10/10	-	-	5/5	-
	Feng Kaiyun	17/17	10/10	-	7/7	-	-
	Zhang Junzhou	17/17	10/10	-	-	5/5	-
	Zhuang Yuemin	17/17	10/10	12/12	7/7	-	-
	Feng Yaoliang	17/17	10/10	-	-	-	5/5
	Lai Zhiguang	17/17	-	-	-	5/5	5/5

- 1 Directors who did not attend in person but entrusted other directors to attend the meetings on their behalf, and Directors who abstained from voting on related party transactions, were deemed to attend the meetings.
- 2 On 28 September 2022, Mr. Yi Xuefei, the executive Director of the third session of the Board of Directors was appointed on a supplementary basis as member and chairman of the Consumer Rights Protection Committee of the third session of the Board of Directors. Therefore, he participated in one meeting of the Consumer Rights Protection Committee during the Reporting Period.
- 3 On 9 August 2022, Mr. Zhang Jian, the executive Director of the third session of the Board of Directors resigned as the executive Director of the third session of the Board of Directors, member of the Strategy and Investment Committee (Sannong Committee) and member of the Related Party Transactions and Risk Management Committee because he reached the retirement age. Therefore, he participated in ten Board meetings, six meetings of the Strategy and Investment Committee (Sannong Committee) and six meetings of the Related Party Transactions and Risk Management Committee during the Reporting Period.

CORPORATE GOVERNANCE REPORT

- 4 On 28 September 2022, Mr. Liao Wenyi, the independent non-executive Director of the third session of the Board of Directors, was appointed on a supplementary basis as member of the Related Party Transactions and Risk Management Committee of the third session of the Board of Directors, and resigned as the chairman and member of the Consumer Rights Protection Committee of the third session of the Board of Directors. Therefore, he participated in three meetings of the Related Party Transactions and Risk Management Committee and four meetings of the Consumer Rights Protection Committee during the Reporting Period.
- 5 The qualification of Mr. Zhang Weiguo as the independent non-executive Director of the third session of the Board of Directors was approved by regulatory authority on 27 September 2022, and he was appointed on a supplementary basis as member of the Related Party Transactions and Risk Management Committee and member of the Nomination and Remuneration Committee of the third session of the Board of Directors on 28 September 2022. Therefore, he participated in four Board meetings, three meetings of the Related Party Transactions and Risk Management Committee and two meetings of the Nomination and Remuneration Committee during the Reporting Period.
- 6 The qualification of Mr. Da Hengcheng as the non-executive Director of the third session of the Board of Directors was approved by regulatory authority on 27 September 2022, and he was appointed on a supplementary basis as member of the Strategy and Investment Committee (Sannong Committee) and member of the the Consumer Rights Protection Committee of the third session of the Board of Directors on 28 September 2022. Therefore, he participated in four Board meetings, three meetings of the Strategy and Investment Committee (Sannong Committee) and one meeting of the Consumer Rights Protection Committee during the Reporting Period.

(VII) Diversification Policies

The Bank believes that a diversified Board of Directors will be beneficial to enhance the Bank's performance. The Bank considers the increasing diversification at the level of Board of Directors as a key factor in achieving sustainable development, supporting its achievement of strategic objectives and maintaining good corporate governance. The Bank regards ensuring that the Board of Directors includes at least one female member as one of the objectives of effectively practicing the diversification policy of the Board of Directors.

In setting the composition of the Board of Directors, the Bank will consider the diversification of members of the Board of Directors from various aspects, including but not limited to, gender, area and industry experience, skills, knowledge and educational background. All appointments to the Board of Directors shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board of Directors when considering the candidates. As of the end of 2022, the Board of Directors of the Bank consisted of 15 members, who featured specialized and rich experience in finance, legal affairs, accounting, economy or business management and diversified backgrounds, and included one female member. The building of the diversified Board of Directors is prudent and compliant and, in line with relevant regulatory requirements.

The Nomination and Remuneration Committee earnestly implements the policies for nominating Directors, as well as the nomination procedures and screening and recommendation standards for Director candidates of the Bank, and will review the policy in due time to ensure its effectiveness in performance. The Nomination and Remuneration Committee will discuss any possible amendments needed, and offer the advice on amendments to the Board of Directors for its consideration and approval.

CORPORATE GOVERNANCE REPORT

The Bank also pays great attention to the gender diversity of its staff and fully respects the decision-making opinions of female staff. In terms of staff promotion, remuneration and benefits, the Bank is committed to creating a fair and friendly career development environment for women, realizing gender equality of employees and ensuring that gender diversity plays a positive role in promoting its operation. As of the end of 2022, the ratio of male to female employees of the Bank was 1.1: 1, and the number of male and female employees remained at a reasonable and stable level.

(VIII) Continuous Professional Development Program for Directors

During the Reporting Period, the Strategy and Investment Committee (Sannong Committee) of the Board of Directors held seminars on the topics of agriculture, farmer and rural areas in Qingyuan, Shaoguan and Nanxiong cities of Guangdong Province, in order to understand the economic development of the villages in recent years and future plans for the development of villager communities, and conducted independent, objective and professional discussions on the implementation of the Rural Revitalization Strategy, the improvement of rural financial services, the development of agricultural enterprises and the channels of wealth appreciation for villagers.

The Bank pays attention to the continuous training of the Directors to ensure that all Directors have a understanding of the Bank's operations and businesses and ensure that they understand their duties and responsibilities conferred by the CBIRC, the CSRC, HKEX, the Articles of Association of the Bank and relevant laws, regulatory requirements and important corporate governance systems. During the Reporting Period, members of the Board of Directors participated in the training on the "Management Measures for the Implementation of Expected Credit Loss Method by Commercial Banks", "Management Measures for Related Party Transactions by Banking and Insurance Institutions", "Improvement of Duty Performance Abilities for Directors, Supervisors and Senior Management", "Responsibilities of the Directors of Hong Kong-Listed Companies and Relevant Compliance Matters" and "Regulatory Updates of Anti-Money Laundering and Anti-Corruption and Key Laws and Regulations", etc. while newly appointed directors received proper training on the performance of duty. These efforts have broadened the Board of Directors' visions in macro-level decision-making, enhanced their ability to interpret major policies and make decisions on material matters, and continuously consolidated the intellectual capital of the Board of Directors.

(IX) Independent Views and Input from the Board

With the information reporting system in place, Board members can obtain independent views and opinions through regular communication channels (monthly information reports and relevant newsletters) or irregular communication channels (face-to-face talks, teleconferences and work reports), and thus make better-informed decisions in a scientific and prudent manner. The Board of Directors considers that this mechanism is effective and will review the implementation and effectiveness of the mechanism every year to ensure its effective implementation.

CORPORATE GOVERNANCE REPORT

(X) Performance of Independent Non-executive Directors

As of 31 December 2022, the Bank had six independent non-executive Directors. With rich experience and outstanding professional abilities, the independent Directors serve as a major force driving the high-quality corporate governance of the Bank. They take active part in various governance activities and perform their duty and exercise their power prudently. The Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee and Audit Committee of the Bank are all chaired by independent non-executive Directors. In daily work, the independent non-executive Directors actively participated in Board meetings and meetings of its special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as joining field trips, special investigations and training sessions.

During the Reporting Period, the independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, director nomination, senior management appointment, engagement of auditors, and major related party transactions. The independent non-executive Directors also considered that the related party transactions of the Bank, particularly major ones, were conducted in strict compliance with domestic and overseas laws and regulations, regulatory rules and relevant systems of the Bank, and relevant transactions were conducted in the usual business of the Bank on fair and reasonable terms in accordance with normal commercial terms or better terms, and are not prejudicial to the interests of the Bank and its shareholders. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management of the Bank, which has provided a strong support for the scientific decision-making process of the Board of Directors.

(XI) Directors' Duties in Preparing Financial Statements

The Directors acknowledge that they are responsible for the preparation of the financial statements of the Bank for the year ended 31 December 2022.

The Directors are responsible for reviewing and confirming the financial statements for each accounting period so that the financial statements give a true and fair view of the financial position, operating results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2022, the Directors have selected and applied applicable accounting policies and have made prudent and reasonable judgments.

(XII) Special Committees of the Board of Directors

The Board of Directors of the Bank established five special committees in accordance with relevant laws and regulations, the Articles of Association and relevant requirements under the Listing Rules, namely, the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the special committees of the Board of Directors of the Bank exercised their duties in an independent, regulated and effective manner in accordance with the laws, which effectively enhanced the corporate governance of the Board of Directors, improved the working efficiency and ensured the stable and healthy development of various businesses of the Bank.

1. Strategy and Investment Committee (Sannong Committee)

As of the practicable date of the Report, the Strategy and Investment Committee (Sannong Committee) of the Bank consisted of eight Directors. Its chairman was Mr. Cai Jian, executive Director. The members included independent non-executive Directors Mr. Du Jinmin and Mr. Tan Jinsong, and non-executive Directors Mr. Da Hengcheng, Mr. Zuo Liang, Ms. Feng Kaiyun, Mr. Zhang Junzhou and Mr. Feng Yaoliang.

The key terms of reference of the Strategy and Investment Committee (Sannong Committee) included: formulating the long-term development strategy and medium and long-term development outlines of the Bank, and making recommendations to the Board of Directors; formulating the development strategies for Sannong financial services, green credit and financial innovation, and promoting the establishment of relevant work mechanisms; making recommendations on the adjustments of strategies in response to changes in the operation environment; supervising and assessing the implementation of strategies and making relevant recommendations; conducting research on and formulating relevant systems for external investment, making recommendations and plans for the major investment decisions of the Bank (including fixed asset investment and equity investment) and implementing group management on our subsidiaries; conducting research on and formulating relevant systems for external mergers and acquisitions, conducting research on the strategies for mergers and acquisitions and making recommendations on the implementation plan, including acquisition target, acquisition method, reorganization and consolidation; conducting research and making plans on diversified operation and development models, conducting research on and formulating organization models and management methods of the finance (group) corporation; approving major matters related to data governance as authorized by the Board of Directors; formulating and reviewing the corporate governance policies and regular rules of the Bank as authorized by the Board of Directors, and giving recommendations to the Board of Directors; reviewing the Bank's observance of the Corporate Governance Code and disclosure in the Corporate Governance Report; conducting research on and addressing other major matters concerning the strategic development of the Bank; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

In 2022, the Strategy and Investment Committee (Sannong Committee) of the Bank held a total of ten meetings, at which it considered and approved 30 resolutions, such as the 2022 Outline for the Implementation of the 14th Five-Year Plan for Strategic Development of Guangzhou Rural Commercial Bank Co., Ltd., the 2021 Final Accounts Report of Guangzhou Rural Commercial Bank Co., Ltd. and the 2021 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd.. It also held three Sannong forums.

CORPORATE GOVERNANCE REPORT

2. Related Party Transactions and Risk Management Committee

As of the practicable date of the Report, the Related Party Transactions and Risk Management Committee of the Bank consisted of five Directors. Its chairman was Mr. Du Jinmin, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Tan Jinsong, Mr. Zhang Weiguo and Mr. Zhang Hua, independent non-executive Directors.

The key terms of reference of the Related Party Transactions and Risk Management Committee included: assisting the Board of Directors in performing the duty of comprehensive risk management, and checking the results of risk management and internal control of the Bank; assisting the Board of Directors in performing the duty of managing money laundering risk, and giving professional advice on managing money laundering risk to the Board of Directors; taking charge of the management, review and risk control of related party transactions, focusing on the compliance, fairness and necessity of related party transactions, and taking the responsibility for the compliance of related party transactions; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Related Party Transactions and Risk Management Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association the Bank. It vigorously carried out the management of related party transactions, the review of important risk management matters, the building of key risk control systems and other activities, and actively assisted the Board of Directors in advancing comprehensive risk management as well as management of risks in key areas like money laundering and terrorist financing, business continuity, compliance and case prevention, to ensure the Bank consistently meets regulatory requirements on related party transactions, risk management and internal control.

In 2022, the Related Party Transactions and Risk Management Committee of the Bank held 12 meetings, at which it reviewed and approved 41 resolutions such as the 2021 Work Report and the 2022 Work Plan on Comprehensive Risk Management of Guangzhou Rural Commercial Bank Co., Ltd., the 2021 Work Report and the 2022 Work Plan on Compliance Risk Management of Guangzhou Rural Commercial Bank Co., Ltd..

3. Nomination and Remuneration Committee

As of the practicable date of the Report, the Nomination and Remuneration Committee of the Bank consisted of six Directors. Its chairman was Mr. Zhang Hua, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Zhang Weiguo and Mr. Ma Hok Ming, independent non-executive Directors, Mr. Feng Yaoliang and Mr. Lai Zhiguang, non-executive Directors.

CORPORATE GOVERNANCE REPORT

The key terms of reference of the Nomination and Remuneration Committee included: setting up the selection procedures and criteria for Directors and senior management, conducting preliminary review on the qualifications and credentials of candidates for Directors and senior management and making recommendations to the Board of Directors; drafting the remuneration scheme for Directors and senior management, making recommendations to the Board of Directors on the remuneration scheme and supervising the implementation of the scheme; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Nomination and Remuneration Committee reviewed policies about the selection and employment of Directors and senior management as well as nomination procedures and codes for selection and recommendation, reviewed the qualifications and credentials of Directors and senior management candidates, commented on the annual performance of Directors and senior management, made suggestions on the remuneration scheme of Directors and senior management, and guided the Bank to carry out training on the performance ability of Directors, supervisors and senior management through rich and diversified work form, to effectively improve the quality and efficiency of corporate governance.

During the Reporting Period, the Nomination and Remuneration Committee carried out the change of Directors and the nomination of directors in accordance with laws and regulations, regulatory rules, the Articles of Association, the rules of procedure of the Nomination and Remuneration Committee, etc. Subject to the range of Board of Directors required by the Articles of Association, for non-independent Directors, according to the number of persons to be elected, a list of nominated candidates for Directors can be drawn up by the Nomination and Remuneration committee of the Board of Directors. Shareholders individually or jointly holding 3% or more of the total issued shares with voting rights of the Bank (including holders of preference shares with restored voting rights) may also nominate candidates for Directors to the Board of Directors. For independent Directors, the Nomination and Remuneration Committee of the Board of Directors and Shareholders individually or jointly holding more than 1% of the total issued shares with voting rights of the Bank, the Board of Directors and the Board of Supervisors may nominate candidates for independent Directors. The Nomination and Remuneration Committee of the Board of Directors conducted a preliminary review on the qualifications and credentials of candidates for Directors in accordance with laws and regulations, regulatory rules and relevant systems of the Bank, focusing on the standards of professional knowledge, experience and ability and diversified board construction, and the list of qualified candidates was submitted to the Board of Directors for consideration and approval. Candidates for Directors may perform their duties according to law after being considered and approved by the Board of Directors and the general meeting of shareholders and submitted to the regulatory authority for approval of their qualifications.

CORPORATE GOVERNANCE REPORT

In 2022, the Nomination and Remuneration Committee of the Bank held a total of five meetings, at which it reviewed and approved eight resolutions, such as the 2021 Annual Remuneration Settlement for Corporate Officers of the Bank and Approval of 2023 Remuneration Pre-Paid Standards and the Report of Guangzhou Rural Commercial Bank Co., Ltd. on the 2021–2023 Remuneration Budget Plan.

4. Audit Committee

As of the practicable date of the Report, the Audit Committee of the Bank consisted of five Directors. Its chairman was Mr. Tan Jinsong, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Du Jinmin and Mr. Ma Hok Ming, independent non-executive Directors, and Ms. Feng Kaiyun, non-executive Director.

The key terms of reference of the Audit Committee included: reviewing the quarterly (if any), semi-annual and annual results of the Bank, and the accounting policies, financial position and financial reporting procedures of the Bank; conducting annual audit of the Bank, making recommendations on the engagement and replacement of external audit agencies, preparing analytical reports on the authenticity, completeness and accuracy of the information set out in audited financial reports and submitting the them to the Board of Directors for review and consideration; being responsible to the Board of Directors, and authorized by the Board of Directors to review important systems and reports like internal audit charters, review medium and long-term audit plans and annual audit plans, and guide, assess and comment on internal audit efforts; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Audit Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association of the Bank. It earnestly reviewed annual reports, interim reports and other important financial materials, actively reflected on the effectiveness of risk control and internal control, particularly the internal monitoring system, oversaw that the Bank exercised audit supervision according to law and regulations, and assisted the Board of Directors in monitoring audit in special areas like information technology, related party transaction, capital management, business continuity management, anti-money laundering and anti-terrorist financing, and market risk management.

In 2022, the Audit Committee of the Bank held seven meetings, at which it reviewed and approved 14 resolutions such as the 2021 Annual Financial Statements of Guangzhou Rural Commercial Bank Co., Ltd., the 2022 Audit Plan of Guangzhou Rural Commercial Bank Co., Ltd. and the 2021 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd..

5. Consumer Rights Protection Committee

As of the practicable date of the Report, the Consumer Rights Protection Committee of the Bank consisted of five Directors. The members included Mr. Zhang Hua, independent non-executive Director, Mr. Da Hengcheng, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Lai Zhiguang, non-executive Directors.

The key terms of reference of the Consumer Rights Protection Committee included: being responsible to the Board of Directors, submitting the work reports and annual reports on consumer protection to the Board of Directors, and, as authorized by the Board of Directors, carry out relevant work, discuss and decide on relevant matters, and conduct research on major issues and policies concerning consumer protection; guiding and overseeing the establishment and improvement of the management system for consumer protection, to ensure relevant policies to be aligned with corporate governance, corporate culture and operation and development strategies; overseeing the comprehensiveness, timeliness and effectiveness of the work of senior management and consumer protection departments in accordance with regulatory requirements and based on the implementation of the strategies, policies and objectives for consumer protection; regularly holding work conferences on consumer protection, reviewing the work reports by senior management and consumer protection departments and performing relevant duties; guiding the disclosure of important information about consumer protection efforts; other matters provided by laws, administrative regulations, departmental regulations and the securities regulator in the place where the Bank is listed or authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee of the Bank performed duties and exercised powers conferred by laws, regulations, regulatory rules and the Articles of Association the Bank. It actively guided the complaint and effective implementation of the consumer protection plan, faithfully followed regulatory opinions and rectification requirements, continued to advance the improvement of the consumer protection system, and regularly inspected the Bank's work on consumer protection to ensure all matters related to consumer protection to consistently meet regulatory requirements.

In 2022, the Consumer Rights Protection Committee of the Bank held five meetings, at which it reviewed and approved seven resolutions such as 2021 Work Report and 2022 Work Plan on Protection of Consumers' Interests of Guangzhou Rural Commercial Bank Co., Ltd. and Management Measures on Financial Consumer Protection of Guangzhou Rural Commercial Bank Co., Ltd. (Revised in 2021).

CORPORATE GOVERNANCE REPORT

(XIII) Execution of the Resolutions of the Shareholders' General Meetings by the Board of Directors during the Reporting Period

During the Reporting Period, the Board of Directors and its special committees loyally and diligently performed their duties on corporate governance conferred by laws, regulations, regulatory rules and the Articles of Association of the Bank. It earnestly reviewed important matters, including (but not limited to) the operation conditions, strategic development, financial results, effectiveness of risk management (including ESG related risks) and internal control and compliance (including the whistle-blowing policy and anti-corruption policy), performance of corporate governance, the effectiveness of the mechanism for the Board of Directors and Directors to gain independent views and the diversification policy for the Board of Directors, as well as other matters concerning the observance of relevant laws, regulations, regulatory policies and duties of the Board of Directors. In doing so, they continued to help the Bank maintain sound corporate governance and a momentum of steady and compliant development.

During the Reporting Period, the Board of Directors strictly executed the resolutions approved by the Shareholders' General Meetings held in 2022, and earnestly implemented various proposals reviewed and adopted by the Shareholders' General Meetings.

VI. THE BOARD OF SUPERVISORS

(I) Composition of Board of Supervisors

As of the practicable date of the Report, the Board of Supervisors of the Bank consists of nine Supervisors, comprising three employee Supervisors, namely Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiexiong; three external Supervisors, namely Mr. Han Zhenping, Mr. Shi Shuiping and Mr. Huang Tianshun; and three shareholder Supervisors, namely Mr. Chen Jianliang, Mr. Liang Bingtian and Mr. Feng Jintang.

(II) Duties of Board of Supervisors

According to the Articles of Association of the Bank, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law: to supervise the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank; to make periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and form the assessment reports; to conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, protection of consumers' rights

CORPORATE GOVERNANCE REPORT

and anti-money laundering and to report the same to the general meetings in accordance with the requirements, to inspect and supervise the business decision, risk management and internal control of the Bank and supervise rectifications; to examine and supervise the Bank's financial affairs and the management of consolidated financial statements; to examine the regular reports of the Bank compiled by the Board of Directors and submit its opinion of examination in writing; to review the financial reports, operation reports, profit distribution plans and other financial information to be submitted by the Board of Directors to the general meetings; if any queries arise, to engage, in the name of the Bank, certified accountants and practicing auditors for assistance in the review; to supervise on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management officers, and to propose the remuneration (allowance) arrangement of Supervisors; to review relevant audit reports in accordance with the requirements, guide and supervise the internal audit work of the Bank, and have the right to request the Board of Directors and senior management officers to provide audit-related information; to be responsible for supervising money laundering risk management, and supervising the performance of duties of the Board of Directors and senior management in money laundering risk management and the rectifications, and to put forward suggestions and opinions on the Bank's money laundering risk management; to conduct investigation if any abnormality is found in the operations of the Bank; and when necessary, to engage professional organizations such as accounting firms and law firms for assistance in its work at the expense of the Bank; to supervise the selection and appointment of directors; to assume the ultimate responsibility for the performance evaluation of the Bank's directors and supervisors; to be responsible for establishing and improving the performance files of supervisors and the performance evaluation files of directors and supervisors; to conduct comprehensive assessment and inquires to the directors, supervisors and senior management officers on their performance of duties, to report the assessment results of the performance of duties to the general meetings, and to file the same to regulatory authorities; to organize audits on economic responsibilities of the directors and senior management upon resignation; to require corrections by directors and senior management where the behaviors of such directors and senior management harm the Bank's interests; to supervise the performance of duties of the directors and senior management, and to propose dismissal of directors and senior management who violate the laws, rules, Articles of Association of the Bank or resolutions of the general meetings; to represent the Bank to negotiate with the directors and senior management, or to bring the lawsuits against the directors and senior management according to the Company Law; to submit proposals to the general meetings; to propose the convening of extraordinary general meetings, to convene and preside over the general meetings when the Board of Directors fails to perform its responsibility of convening and presiding over the general meeting as required by the Company Law; to communicate with the banking regulatory authorities of the State Council regularly in relation to the condition of the Bank; to exercise other duties and powers which should be exercised by the Board of Supervisors as provided by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

(III) Meetings of Board of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of 10 meetings, at which a total of 39 resolutions of the Bank were considered and approved, including 2021 annual work report of the third session of the Board of Supervisors, 2021 annual report of the Bank, 2021 profit distribution plan, 2021 Internal Control Evaluation Report, 2021 Work Report on Comprehensive Risk Management, and 2021 Performance Assessment Report of supervisors, the Board and senior management and its members.

The following table set out the attendance of Supervisors in 2022 at the meetings of the Board of Supervisors and the special committees thereof:

Supervisors	Board of Supervisors	Nomination Committee	Audit and supervision committee
Wang Xigui	10/10	4/4	–
He Heng	10/10	4/4	–
Lai Jiaxiong ¹	10/10	4/4	6/6
Han Zhenping	10/10	–	6/6
Shi Shuiping ²	10/10	1/4	6/6
Huang Tianshun ³	3/10	0/4	–
Chen Jianliang ⁴	6/10	–	2/6
Liang Bingtian	10/10	4/4	–
Feng Jintang	10/10	–	6/6
Zhan Liyuan ⁵	3/10	3/4	–
Zhang Gang ⁶	1/10	–	2/6

¹ Mr. Lai Jiaxiong ceased to serve as a member of the Nomination Committee of the Third Session of the Board of Supervisors in September 2022.

² Mr. Shi Shuiping was added as a member of the Nomination Committee of the Third Session of the Board of Supervisors in May 2022, so he attended one meeting of the Nomination Committee during the Reporting Period.

³ Mr. Huang Tianshun was elected as an external supervisor of the Third Session of the Board of Supervisors of the Bank at the 2022 second extraordinary general meeting of shareholders of the Bank in August 2022, so he attended three meetings of the Board of Supervisors during the Reporting Period. He was added as a member of the Nomination Committee of the Third Session of the Board of Supervisors in September 2022. After that, the Bank did not hold meetings of the Nomination Committee until the end of the reporting period.

⁴ Mr. Chen Jianliang was elected as a shareholder supervisor of the Third Session of the Board of Supervisors of the Bank at the 2021 annual general meeting of Shareholders in June 2022, so he attended six meetings of the Board of Supervisors during the Reporting Period. In July 2022, he was added as a member of the Audit and Supervision Committee of the Third Session of the Board of Supervisors, so he attended two meetings of the Audit and Supervision Committee during the reporting period.

⁵ Mr. Zhan Liyuan resigned from his position as an external supervisor of the Third Session of the Board of Supervisors of the Bank and a member of the Nomination Committee in May 2022, so he attended three meetings of the Board of Supervisors and three meetings of the Nomination Committee during the Reporting Period.

⁶ Mr. Zhang Gang resigned from his position as a shareholder supervisor of the Third Session of the Board of Supervisors and a member of the Audit and Supervision Committee of the Bank in March 2022, so he attended one meeting of the Board of Supervisors and two meetings of the Audit and Supervision Committee during the Reporting Period.

(IV) Special Committees of the Board of Supervisors

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consist of five Supervisors, whereas the Audit and Supervision Committee consist of five Supervisors, and the chairmen are all served by external Supervisors.

1. *Nomination Committee*

As of the practicable date of the Report, the Nomination Committee of the Bank consisted of five Supervisors. The chairman was Mr. Shi Shuiping, external Supervisor and the members were Ms. Wang Xigui, Mr. Huang Tianshun, Mr. Liang Bingtian and Ms. He Heng.

The key terms of reference of the Nomination Committee during the Reporting Period included: studying the selection and appointment criteria and procedures for Supervisors; conducting preliminary review on the qualifications of supervisor candidates; advising the Board of Supervisors on the number and composition of the Board of Supervisors; conducting comprehensive evaluation of the performance of directors, Supervisors and senior management and reporting to the Board of Supervisors; conducting extensive search for qualified candidates of Supervisors; performing other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee held four meetings, at which a total of 10 resolutions were considered and approved, including the proposal on the candidates for the shareholders' supervisors and external supervisors of the Bank, 2021 Performance Assessment Report of supervisors, the Board and senior management and its members, the 2021 Work Report of the Nomination Committee of the Third Session of the Board of Supervisors, and the 2021 Performance Assessment Report of Chief Supervisors of Subsidiaries.

CORPORATE GOVERNANCE REPORT

2. *Audit and Supervision Committee*

As of the practicable date of the Report, the Audit and Supervision Committee of the Bank consisted of five Supervisors. The chairman was Mr. Han Zhenping, external Supervisor and the members were Mr. Shi Shuiping, Mr. Chen Jianliang, Mr. Feng Jintang and Mr. Lai Jiaxiang.

The key terms of reference of the Audit and Supervision Committee during the Reporting Period included: supervising the performance of duties of the Board of Directors and its members and senior management; conducting off-office audit for directors and senior management of the Bank if necessary; formulating supervision programs for financial activities of the Bank and conducting related inspections; supervising, examining or reviewing business decisions, risk management, internal control of the Bank; conducting supervision over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic planning, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, reputation risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, protection of consumers' interests and anti-money laundering and reporting the same to the general meetings in accordance with the requirements, considering relevant audit reports in accordance with the requirements, and providing guidance for the internal audit department of the Bank; supervising the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank; making periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and forming the assessment reports; performing other duties authorized by the Board of Supervisors.

During the Reporting Period, the Audit and Supervision Committee held six meetings, at which a total of 10 resolutions of the Bank were considered and approved, including the 2022 Audit Plan, 2021 Report on the Auditing Work and other audit-related proposals, as well as the 2021 Work Report of the Audit and Supervision Committee of the Third Session of the Board of Supervisors, the 2021 Strategical Assessment Report, and the 2022 Strategy Implementation Outline.

(V) Continuous Professional Development Program for Board of Supervisors

The Bank pays attention to the continuous training of the Supervisors. Through study, exchange and research, the Board of Supervisors strengthened the ability to perform duties. During the Reporting Period, the Board of Supervisors organized field research in various places to gain in-depth insights into the business operation of branches, organized special training courses on corporate governance for members of the Board of Supervisors, carried out various training programs, such as protection of financial consumer rights and interests, related transaction management, expected credit loss management of commercial banks and anti-money laundering, and strengthened the study of regulatory policies, laws and regulations and the work practices of the Board of Supervisors, so as to enhance the overall performing duties ability of the Supervisors.

(VI) Work of External Supervisors

During the Reporting Period, the external Supervisors of the Bank performed their supervisory duties in strict accordance with relevant laws, regulations, the Bank's Articles of Association and relevant requirements for the performance of duties of Supervisors. They performed their duties diligently by taking part in the meetings of the Board of Supervisors on time, carefully studying and reviewing every proposals, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, and expressing their opinions independently and impartially. Also, they devoted sufficient time and effort to participate in relevant supervision and inspections, investigation and research and training, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards.

CORPORATE GOVERNANCE REPORT

VII. SENIOR MANAGEMENT

(I) Composition of Senior Management and Senior Management Officers

The Bank has one President who shall be nominated by the Chairman, appointed or dismissed by the Board of Directors. The Bank shall have Vice President, Assistant to President, Secretary of the Board of Directors and Business Director. Vice President, Assistant to President and Business Director shall be appointed or dismissed by the Board of Directors on the nomination of President, and Secretary of the Board shall be appointed or dismissed by the Board of Directors on the nomination of the Chairman. All the senior management officers shall meet the qualifications required by laws, regulations and banking regulatory authorities.

(II) Duties of Senior Management

The duties of the senior management mainly include: to carry out business management activities in accordance with the Articles of Association of the Bank and the authorization of the Board of Directors, and actively implement the resolutions of the general meeting of shareholders and the Board of Directors; to be responsible to the Board of Directors, and accept the supervision of the Board of Supervisors at the same time, report the company's operation and management in accordance with the requirements of the Board of Directors and the Board of Supervisors in a timely, accurate and complete manner, and provide relevant materials; to establish an information reporting system to the Board of Directors and its special committees, and the Board of Supervisors and its special committees, define the types, content, time and methods of reporting information to ensure that directors and supervisors can obtain various information in a timely, accurate and complete manner; to establish and improve various meeting systems, and formulate the corresponding rules of procedure; to assume the responsibility for implementing comprehensive risk management and perform the following responsibilities: Establish an operation and management structure suitable for comprehensive risk management, define the assignment of responsibilities of functional departments of comprehensive risk management, business departments and other departments in risk management, and establish an operation mechanism of mutual coordination and effective check and balance among departments; to establish clear execution and accountability mechanisms to ensure that risk management strategy, risk preference and risk limit are communicated fully and implemented effectively; to formulate risk limit based on the risk preference set by the Board of Directors, including but not limited to industry, region, customer, product and other dimensions; to develop risk management policies and procedures, make periodical assessments, and make adjustments when necessary; to assess overall risk and various significant risk management status, and report to the Board of Directors; to establish a complete management information system and data quality control mechanism; to monitor breaches of risk preference, risk limit and risk management policies and procedures, and handle as authorized by the Board of Directors; other responsibilities of risk management; to be responsible for developing systematic systems, procedures and methods according to the acceptable risk level determined by the Board of Directors, and take the corresponding risk control measures; to be responsible for establishing and improving the internal organizational structure to ensure the effective performance of internal control responsibilities; to be responsible for organizing monitoring and assessment of the adequacy and effectiveness of the internal control system; to be responsible for organizing capital management according to business strategy and risk preference ensure that capital is appropriate to business development and risk level, and implement various monitoring measures. The specific duties are as follows: to formulate and organize the implementation of rules and regulations on capital

CORPORATE GOVERNANCE REPORT

management; to formulate and organize the implementation of internal capital adequacy assessment procedures, define the assignment of responsibilities of related departments, establish and improve the assessment framework, process and management system; to formulate and organize the implementation of capital planning and capital adequacy management plans; to make periodical and aperiodic assessment of the capital adequacy ratio, report the level and management of the capital adequacy ratio and the results of the internal capital adequacy assessment to the Board of Directors; to organize and carry out stress tests, participate in the determination of stress test objectives, schemes and important assumptions, and promote the application of stress test results in risk assessment and capital planning; to organize the development and maintenance of the internal capital adequacy assessment information management system; to assume the management responsibility for formulating and updating recovery plan and disposal plan proposals; to be responsible for implementing the business continuity management policy approved by the Board of Directors. The main responsibilities include: to develop, and periodically review and supervise the business continuity management implementation policies and procedures; to define the business continuity management responsibilities of all departments, define the reporting route, review and approve important business recovery objectives and recovery strategies, urge all departments to perform their management responsibilities, and ensure the normal operation of the business continuity management system; to ensure that adequate resources are allocated to the implementation of business continuity management; to be responsible for implementing emergency management policy approved by the Board of Directors; to assume the responsibility of the Bank's reputational risk management; to be responsible for establishing and improving the reputation risk management system, improving the working mechanism, formulating the reputation risk response plans and handling schemes for major issues, and arranging and promoting the handling of reputation events; to conduct one reputational risk management assessment at least a year; to be responsible for implementing money laundering and terrorist financing risk management; to be responsible for promoting the construction of money laundering risk management culture; to establish and timely adjust the organizational structure of money laundering risk management, and define the assignment of responsibilities and coordination mechanism of anti-money laundering management department, business department and other departments in money laundering risk management; to formulate and adjust money laundering risk management strategy and its implementation mechanism; to review money laundering risk management policies and procedures; to report the anti-money laundering work to the Board of Directors periodically, and report major money laundering risk events to the Board of Directors and the Board of Supervisors in a timely manner; to organize the implementation of anti-money laundering information system and data governance; to organize the implementation of anti-money laundering performance assessment, and reward and punishment mechanisms; to handle the violations of the money laundering risk management policies and procedures as authorized by the Board of Directors; other relevant duties: to be responsible for determining the operation and management structure of Internet loans, and clarifying the assignment of responsibilities of each department; to develop, assess and supervise the implementation of Internet loan business planning, risk management policies and procedures, cooperative institution management policies and procedures, and cross-regional operation management policies; to formulate Internet loan business risk control indicators, including but not limited to Internet loan limit, loan limit of loan jointly funded with cooperative institutions and ratio of contributions, concentration of cooperative institutions, and non-performing loan ratio; to establish the Internet loan business risk management mechanism, continue to monitor, control and report all kinds of risks effectively, and make a time response to risk events; to fully understand and regularly assess the development of Internet loan

CORPORATE GOVERNANCE REPORT

business, risk level and management status and consumer protection, timely understand the major changes, and report to the Board of Directors regularly; Other relevant responsibilities: to formulate green credit objectives, establish mechanisms and procedures, define the responsibilities and authority, carry out internal control inspection and assessment, report the development of green credit to the Board of Directors every year, and submit relevant information to the regulator in a timely manner; to ensure the effective implementation of the strategic objectives and policies for consumer protection; to be responsible for reviewing and publishing major information disclosure concerning the protection of consumer rights and interests; to be responsible for establishing the data governance system to ensure the allocation of data governance resources, developing and implementing accountability and incentive mechanisms, establishing the data quality control mechanism to ensure the authenticity, accuracy, continuity, integrity and timeliness of data, organizing the assessment of the effectiveness and implementation of data governance, and reporting to the Board of Directors periodically; to be responsible for organizing the implementation of resolutions of the Board of Directors in compensation management; to support internal audit department to perform their duties independently and ensure the allocation of adequate internal audit resources; to report to the audit committee on the latest development and changes in business development, product innovation, operation process, risk management, internal control compliance; to take effective rectification actions in a timely manner according to the problems found by internal audit and the audit recommendations; other functions and powers that shall be exercised by the senior management according to laws, regulations and the Articles of Association of the Bank.

VIII. COMPANY SECRETARIES

Ms. Zheng Ying and Mr. Ngai Wai Fung served as the joint company secretaries of the Bank. Ms. Zheng Ying is the main internal contact person of the Bank. All directors have access to the Company secretary for discussion, seeking advice and obtaining information. Ms. Zheng Ying and Mr. Ngai Wai Fung confirmed that they have received not less than 15 hours of relevant professional training during the Reporting Period.

IX. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the year ended 31 December 2022.

X. RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XI. AMENDMENT TO ARTICLES OF ASSOCIATION

The Bank amended the Articles of Association during the Reporting Period, (I) As a result of the completion of the non-public offering of H shares and domestic shares, the provisions of the Articles of Association relating to the registered capital were amended and approved by the Guangdong Bureau of CBIRC on 7 January 2022.

CORPORATE GOVERNANCE REPORT

(II) The amended Articles of Association, namely the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (Amendment in 2022), were deliberated and approved at the 2021 annual general meeting of Shareholders held on 16 June 2022, and approved by the Guangdong Bureau of CBIRC on 2 August 2022. For the details of the amendment to the Articles of Association of the Bank, please see the notice of the 2021 annual general meeting, the circular of the 2021 annual general meeting, the voting results of the 2021 annual general meeting, the approval of the Articles of Association and other relevant announcements of the Bank published on the Hong Kong Stock Exchange in April, May, June and August 2022

XII. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

As considered and approved by the 2021 annual general meeting of the Bank, the Bank appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as the Bank's accounting firms for 2022, which would be responsible for providing audit services for the Bank's financial statements prepared in accordance with PRC Enterprise Accounting Standards and International Financial Reporting Standards, respectively. In addition, there have been no other changes to the auditors of the Bank in the past three years.

During the Reporting Period, the fees for the financial statements audit services which PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers provided to the Bank amounted to RMB7.1 million.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Board of Directors assumed ultimate responsibility for overall risk management, ultimate responsibility for the compliance of the Bank's operating activities and ultimate responsibility for the independence and effectiveness of the internal audit. The Board of Directors also reviewed resolutions, heard reports on the work of senior management, and strengthened communication with internal and external auditors, to review the effectiveness of the risk management and internal control system from time to time, and timely improved the internal control through system amendments and mechanism optimization, to address possible deficiencies in internal control.

During the Reporting Period, the Board of Directors continued to pay attention to the effectiveness of the Bank's risk management and internal monitoring system and conducted timely reviews, deliberated and discussed the 2021 work report and 2022 work plan of the Bank's total risk management, the 2021 work report and 2022 work plan of the compliance risk management, the 2021 internal control assessment report and other proposals. Besides, it reviewed many special audit reports involving information technology, related party transaction, capital management, business continuity management, wealth management service, anti-money laundering and anti-terrorist financing, market risk management, credit asset risk classification, capital management and outsourcing business, and monitored and assessed the effectiveness of the Bank's risk management and internal control continuously. During the Reporting Period, the Bank set up special management departments with the functions of risk management, internal audit, internal monitoring and so on, and reported the performance and the work arrangement at the next stage to the Board of Directors every year. Meanwhile, it reported the Bank's overall risk management, business performance and financial monitoring, compliance management and internal control status to the Board of Directors on a quarterly basis. The Bank's risk management and internal control system aims to identify and manage relevant risks as comprehensively and effectively as possible, and to report the objective situation of risk management in a true, accurate and complete manner. In particular, in terms of the risk management, the Bank is actively building a

CORPORATE GOVERNANCE REPORT

risk management system that is "comprehensive, prudent, independent, effective and dynamically balanced", with the promoting risk management reform as the main line, the system development and risk identification as effective means and the asset quality control as the key points, to improve its risk management capability in a steady manner. In terms of the internal control system, the Bank has established a "multi-level, full-coverage, grid-based" supervision system that includes the discipline and inspection department, compliance and audit department and risk management department. It played an active part in that, with responsibilities being consolidated at all levels to ensure that various responsible entities performed their respective role and responsibilities, with effective checks and balances and coordinated operation. In addition, the Board of Directors and its subordinate Audit Committee, Related Transaction and Risk Management Committee, and Nomination and Remuneration Committee actively maintained close contacts with external audit intermediaries, industry regulators, discipline inspection and supervision institutions and other institutions to ensure that the Board of Directors had a dynamic grasp of the Bank's overall risk control, financial operation and compliance and internal control, and continued to review the response strategies and optimization measures and promote the Bank to maintain steady and high quality development trend. In general, the Bank's risk management and internal monitoring system maintained a stable operation trend, and the Bank's risk management and internal monitoring system are sound and effective. For more information about the Group's risk management and internal control, please see the Management Discussion and Analysis.

XIV. INFORMATION DISCLOSURE AND INSIDER INFORMATION MANAGEMENT

During the Reporting Period, the Bank conducted information disclosure in accordance with the relevant laws and regulations and the regulatory requirements under the Listing Rules of the Hong Kong Stock Exchange in compliance with the law, and strengthened communication and exchange with shareholders through various channels such as shareholders' meetings, reception visits and telephone communication. The Bank established a mechanism for working on inside information, taking into account the regulatory requirements and the actual situation of the Bank, and strengthened the management of confidentiality of inside information throughout the Bank through various channels and strengthened the management of insider information on a daily basis.

XV. MANAGEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The organisational structure of the Bank's consolidated financial statements management consists of the Board of Directors, the Board of Supervisors, the senior management and relevant functional departments. The Board of Directors is responsible for formulating the overall strategic direction of the Group's consolidated financial statements management, approving and overseeing the formulation and implementation of specific implementation plans for the Group's consolidated financial statements management, and establishing a regular review mechanism including the Group's internal transactions as well as the relevant evaluation mechanism. As the internal supervisory body of the Bank, the Board of Supervisors oversees the establishment and operational effectiveness of the Group's consolidated financial statements management mechanism, the performance of the Board of Directors and senior management and their members in discharging their duties in relation to the management of the Bank's consolidated financial statements, and oversees the Board's supervision of the corporate governance and operation and management of the Bank and its subsidiaries. The senior management is responsible for the implementation of the various consolidated financial statements management policies approved by the Board, the formulation of the Group's consolidated financial statements management system, the establishment and improvement of the consolidated financial statements management organisational structure, the overall risk management framework and the internal risk segregation system, the monitoring and evaluation of the comprehensiveness, adequacy and effectiveness of the Group's consolidated financial statements management system and the timely reporting to the Board of Directors.

During the Reporting Period, the Bank's entities under consolidated management comprised Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Nanxiang Rural Commercial Bank Co., Ltd., Shaoguan Rural Commercial Bank Co., Ltd., Zhujiang Financial Leasing Co., Ltd. and 25 village banks.

XVI. CORPORATE CULTURE

The Board of Directors of the Bank formulated the corporate culture concept system in line with the corporate development vision and strategic objectives, promoted it throughout the Bank, integrated the corporate culture into the operation and management of the bank, and incorporated the compliance culture and risk culture into the strategic planning and business reform process of the bank, in a bid to promote the high-quality development of the bank. Please see the Management Discussion and Analysis and section 17 of the Corporate Governance Report of this report for the Group's discussion about development strategies and business models based on its development goals.

CORPORATE GOVERNANCE REPORT

XVII. DEVELOPMENT STRATEGY, INVESTMENT VALUE AND CORE COMPETITIVENESS

During the Reporting Period, the Bank strengthened its responsibility, focused on local resources, adhered to its primary responsibility and main business, and resolutely implemented the national policy requirements to support rural revitalization and loan small and micro enterprises. Besides, it continued to promote business transformation and management innovation under the guidance of the 14th Five-Year Plan.

In terms of business transformation, in accordance with the “1+4” strategic planning, the Bank promoted the transformation of characteristic business models in an all-round way. In the aspect of rural finance, it promoted the hierarchical management of village communities, carried out the name list system tracking management of key village communities and agriculture-related projects, vigorously promoted the whole village credit model, and continuously expanded the agriculture-related scenarios. In industrial finance, the Bank strengthened marketing in key industries, promote the industrial Internet model and the industrial park model, made innovative development and launch of many exclusive products, and increase credit support in key areas, such as state-owned enterprises, science and technology enterprises, enterprises that use special and sophisticated technologies and green development. In the aspect of consumer finance, it optimized and upgraded the product system, streamlined the business handling process, vigorously promoted online and offline consumer loans, accelerated the transformation of credit card business, and realize the rapid growth of large-amount installment business and the decrease of the non-performing loans ratio. In terms of wealth finance, the bank promoted the hierarchical customer separation mechanism, built seven major wealth product systems and 18 product strategies, and made more efforts to promote the construction of investment research and investment counselor teams and the optimization and upgrading of business management systems.

In terms of management reform, the Bank carried out reform and innovation measures, such as “operation and management model, comprehensive risk management, recruitment and employment mechanisms, and remuneration and performance assessment” in a coordinated manner, so as to improve the business operation quality and efficiency through reform and innovation. In the aspect of the operation and management mode, it promoted operation decentralization, delegated marketing and expansion functions of more asset businesses to branches, gave full play to the advantages of a large number and a wide range of branches, deeply tapped the market potential, while fully activating the marketing vitality of branches with comprehensive marketing as the starting point. In overall risk management, it deepened the compliance management culture, strengthened the internal control compliance management, promoted the activity of “Asset Quality Year” steadily, and established asset risk classification and hierarchical management mechanisms with seven-level classification and four-level management. In terms of the selection and employment mechanisms, it improved the selection and employment systems, standardized and optimized key procedures, such as cadre selection and appointment and talent recruitment, while strengthening the multi-level talent construction, and establishing a competition and selection-oriented employment model to smooth the long-term employee growth path. In terms of remuneration and performance assessment, the Bank implemented the remuneration system reform in an all-round way, set up distribution differences reasonably, highlighted value contribution and comprehensive management, and make full use of the assessment in guiding business.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, under the guidance of the 14th Five-Year Plan, the Bank strengthened management, controlled risks and optimized the structure, and continued to deepen business transformation and management innovation, achieving steady growth of business scale, stable asset quality and continuous enhancement of business characteristics. In 2023, the Bank will make scientific adjustment in its development strategy and business objectives based on the phased requirements of the development strategy planning as well as the forward-looking prediction of domestic and foreign macroeconomic situation, further strengthen its responsibilities as a municipal-level state-owned financial enterprise, firmly support the real economy, prevent and defuse major risks, fully implement and refine business relating to the four major financial institutions, strengthen compliance management, consolidate the achievements of strategic transformation, and continue to make reform and development more effective.

XVIII. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES OF HONG KONG

During the Reporting Period, the Bank consistently complied with the principles and provisions of the Corporate Governance Code.

XIX. OVERALL ASSESSMENT OF THE BANK'S CORPORATE GOVERNANCE

During the Reporting Period, the Bank established a “three-board and one-management” governance structure composed of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management. It standardized the governance operation mechanism in the principle of clear authorities and responsibilities and effective check and balance, improved the ability of the governance subject to perform its duties, promoted information disclosure according to laws and regulations, tried to improve the corporate governance level of listed companies, and protected the rights and interests of stakeholders and enhanced enterprise value effectively. During the Reporting Period, it continued to comply with relevant provisions of laws and regulations, regulatory rules, the Articles of Association of the Bank and other domestic and foreign systems. Generally, the Bank maintained a sound corporate governance.

REPORT OF THE BOARD OF DIRECTORS

I. PERFORMANCE OF THE BOARD OF DIRECTORS

In 2022, the Board of Directors of the Bank performed its duties and powers in strict accordance with the duties and responsibilities entrusted to it by laws, regulations, regulatory rules and Articles of Association. The main work is as follows:

(I) Adhering to the Party's leadership and enhancing governance capacity

The Board always placed the adherence to the Party's leadership into various links of corporate governance, and continued to deepen the Party's leadership and improve corporate governance. Firstly, we firmly kept the main line of Party building, strictly carried out the decision-making procedure for Party committees to conduct preliminary research on major matters and improved the decision-making system of "Sanzhong Yida (三重一大)", and promoted the deep integration of party leadership and corporate governance to ensure the sound operation of the governance mechanism. Secondly, we intensified the foundation of board governance, constantly boosted the by-election of directors and the optimization of the board structure so that the Board could improve its strength and diversification. Thirdly, we optimized the governance system, upheld the guidance of external regulatory policies and regulations, and further boosted the construction of long-term corporate governance mechanism of the Bank. In 2022, we revised the Articles of Association pursuant to the law and obtained the approval from the regulator, and also revised a series of major corporate governance systems at the same time, so as to continuously practice the governance under the law and regulations. Fourthly, we continued to enhance governance bodies' capabilities of performing their duties. In 2022, the Board of Directors and its special committees diligently performed their duties, adequately strengthened the capabilities of governance bodies to perform their duties, and steadily advanced the decision implementation supervision mechanisms, so as to contribute to a good governance pattern characterized with firm leadership by the Party Committee, law-based exercise by shareholders' meetings, scientific decision-making by the Board of Directors, effective supervision by the Board of Supervisors, and steady implementation by senior management.

(II) Optimizing capital construction and enhancing capital strength

The Board has always put steady operation and compliance as well as long-term sustainable capital construction as the top priority of sustainable development. We continuously intensified capital control, further carried out refined management, and promoted the transformation of business capacity combined with relevant regulatory requirements and guidance under the "capital light" operating concept, so as to fuel the high-quality and sustainable development of the Bank. In addition, we established and improved the linkage mechanism of scientific capital planning and steady capital supplement simultaneously, embraced the capital supplement mode with endogenous capital as the main and exogenous capital as the supplement, bolstered the organic combination of endogenous and external capital supplement, and constantly strengthened the capital foundation for high-quality development of the Bank.

REPORT OF THE BOARD OF DIRECTORS

(III) Strengthening strategic guidance and highlighting the main responsibility and business

The Board firmly followed the same direction with national and local strategies, effectively implemented the Group's "14th Five-Year" strategic plan, adhered to the customer-oriented and the development positioning, with the basic requirement of "capital-light and asset-light" operation, deeply promoted the business structure adjustment, comprehensively improved the quality and efficiency of asset business development, fully deepened reform and innovation, and unswervingly followed the road of high-quality development. Firstly, we presented positive support for the entities that have a significant impact on the national economy and are in line with the national industrial development direction and allocated more financial resources to key areas and weak links of economic and social development. Secondly, we made real efforts to improve the service system of rural finance and inclusive finance, strengthened the positioning of supporting agriculture and small businesses, and vigorously conducted product innovation, service innovation and business process optimization. Thirdly, we also made real efforts to improve the weak links in respect of financial services, continuously enhanced the joint ability of government and park to acquire customers, and continuously strengthen the innovation of investment bank and transaction banking products, and vigorously developed the Minsheng finance. Fourthly, we unswervingly carried out the "customer multiplication plan", and did our best to make a highlight, a brand and a model in the four major characteristic business categories of "rural finance, industrial finance, consumer finance, and wealth finance".

(IV) Doing a good job in internal control supervision and making efforts in quality and efficiency of risk control

The Board always gave top priority to internal control supervision and risk control compliance, and made continued efforts to strengthen internal control, risk control and compliance management. Firstly, we improved the internal control system, built asset risk classification and hierarchical mechanisms with seven-level classification and four-level management, and firmly adhered to the bottom line of the compliance risk control. Secondly, the quality and efficiency of risk management capability has been significantly improved. We tightened and solidified the main responsibility of operating institutions and the risk management responsibilities of middle and back-office departments to keep a firm grip on risk management, and gradually formed the culture and philosophy of respecting and addressing risks. Thirdly, we continuously conducted compliance management with high standards, scientifically optimized the authorized operation and management mechanism, regularly listened to the authorized operation and management information by senior management, and enhanced the rectification and accountability of internal and external supervision and inspection and audit findings. Fourthly, we put stress on risk management and risk disposal, and achieved good results in the special work of "Asset Quality Year" conducted in 2022.

REPORT OF THE BOARD OF DIRECTORS

(V) **Strengthening the management of shareholders' equity rights and making further market ties**

The Board has always upheld the concept of the consistence of shareholders' equity management with regulatory requirements, and strived for the closer ties with the market. Firstly, we went further to vigorously implement the latest requirements of the regulatory authorities on equity management, positively strengthened the process management and constantly improved the level of shareholder equity management by implementing the responsibilities and obligations of majority shareholders, strengthening the penetrating supervision of shareholders, standardizing the behavior of equity transfer, and intensifying the management of equity pledge and other measures. Simultaneously, we performed the further monitoring of shareholder behavior, and urged shareholders to perform their duties and undertake their obligations under the law. Secondly, we continuously enhanced the capability of investor relationship management. We continued to broaden the channels and methods of communication with investors, carried out adequate information disclosure and inside information management in compliance with laws and in a standardized manner, and continued to promote investors' and the market's strategic recognition of the Bank's value through an accurate, timely and clear mutual information communication mechanism with investors, analysts and media public relations on strategic planning, corporate governance and operational performance.

II. BUSINESS REVIEW

(I) **Business Review**

The Group is primarily engaged in PRC banking and related financial services, primarily including corporate banking, retail banking and financial market business. Further discussions and analyses of the business review are set out in the sections headed "Management Discussion and Analysis" and "Directors, Supervisors and Senior Management and Employees" in this report, including an overview of the major risks and uncertainties of the Group and possible future plans for the business of the Group. Such discussions also form part of this Report of the Board of Directors.

(II) **Employment Relationship**

As of the end of 2022, the total number of employees of the Group was 13,975. Of which, 13,342 employees entered into labor contracts with the Group, and 633 employees were dispatched workers. The Bank attaches great importance to the gender diversity of its staff and fully respects the decision-making opinions of female staff. In terms of staff promotion, remuneration and benefits, the Bank is committed to creating a fair and friendly career development environment for women, realizing gender equality of employees and ensuring that gender diversity plays a positive role in promoting its operation.

REPORT OF THE BOARD OF DIRECTORS

(III) Relationship with Customers and Suppliers

The Bank actively provided good financial services for deposit customers, loan customers and interbank customers, and strived for customers' understanding, trust and support. For loan customers, especially related-party ones, the Bank upheld the market principle and avoided special credit aid priority.

The Bank adhered to the principle of openness, fairness and impartiality, employed suppliers through bidding, negotiation and price quotation, and maintained good communication and cooperation with various suppliers.

(IV) The Environmental Policy and Performance of the Bank

The Bank attaches significance to environmental impact and is committed to promoting the development of green finance. At the policy system level, the Bank has developed a special work plan for the development of green finance since 2020. On this basis, in order to further strengthen the strategic guidance of green finance in the future, the Bank has formulated the Green Finance Development Plan and Implementation Program of Guangzhou Rural Commercial Banks (2023–2025). The Bank has set the goal of "becoming a green benchmark bank in the Guangdong-Hong Kong-Macao Greater Bay Area", and made specific work measures in terms of organizational support, business product innovation, asset structure transformation, green capacity building, environmental and social risk control, supporting resources and brand publicity, so as to drive high-quality development of green finance business through the implementation of multiple measures. The plan has served as an institutional and programmatic document to ensure the development of green finance business from a strategic height.

As of the end of 2022, the Bank's green financing balance under the banking and insurance regulatory authority was RMB24.895 billion, with an increase of RMB17.025 billion compared with the beginning of the year, significantly higher than the growth rate of all loans.

(V) Details of Major Events Affecting the Company that Occurred after the Review of the Financial Year

The Bank has conducted a comprehensive review of its 2022 financial performance and prepared this report in accordance with national laws and regulatory requirements. The Bank has complied with the relevant laws and regulations that have a significant impact on the Bank. After the end of the Reporting Period, the Bank did not have any events or cases having any significant impact on the Bank.

REPORT OF THE BOARD OF DIRECTORS

III. PROFITS AND DIVIDENDS

(1) Dividends

The revenue for the year ended 31 December 2022 and the Bank's financial position on that date are set out in the consolidated financial Statements of this annual report.

Pursuant to the resolution passed at the 2021 Annual General Meeting of Shareholders held on 16 June 2022, the Bank paid a dividend of RMB0.105 per share (tax inclusive) to all shareholders for 2021, amounting to approximately RMB1.202 billion (tax inclusive). The dividend was payable to shareholders whose names appeared on the register of members after the close of market on 27 June 2022. The above dividends were denominated in Renminbi, and paid to holders of non-overseas listed shares in Renminbi and to holders of H-shares in Hong Kong dollars. The exchange rate for dividend paid in Hong Kong dollars was the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2021 Annual General Meeting (i.e. 16 June 2022, inclusive) as announced by the PBOC (i.e. HK\$1.00 to RMB0.85680), and the final dividend per H Share was HK\$0.12255 (tax inclusive). Such dividend was paid on 15 July 2022.

The Bank has not made any plan for converting the capital reserve to increase the share capital in the past three years. The cash dividend distribution for ordinary shareholders of the Bank for the past three years is as follows:

Item	2021	2020	2019
Distribution amount per share (tax inclusive, RMB)	0.105	0.2	0.2
Cash dividend (tax inclusive, RMB100 million)	12.02	19.62	19.62
Percentage of net profit attributable to the parent company (%)	37.86	38.61	25.91

(2) Tax on Dividends

According to the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Individual Income Tax Law of the People's Republic of China" and its implementation rules, for the non-overseas listed shares and the holding of the Bank's shares via Hong Kong Stock Connect, the Bank shall withhold and pay the individual income tax at the rate of 20% pursuant to the national tax law for the dividends of natural person shareholders, while corporate shareholders shall make its own declaration in accordance with the requirements of the national tax law.

Taxes on dividend of H Shares are subject to the Hong Kong tax law.

According to the Enterprise Income Tax Law and its implementation rules, both effective on 1 January 2008, and Guo Shui Han [2008] No. 897), before distribution of dividends, the Bank shall withhold and pay the enterprise income tax at the rate of 10% for non-resident enterprise shareholders (including HKSCC Nominees Limited (agent), other enterprise agents or trustees, or other organizations and groups) whose names appear on the Bank's register of members for H Shares.

REPORT OF THE BOARD OF DIRECTORS

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

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such shareholders.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such shareholders. If such shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Bank can apply on behalf of such shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2019, No. 35) and the provisions of the relevant tax treaties. The Bank shall assist with the tax refund subject to approval of the competent tax authority.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Bank shall withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such shareholders.

If the individual holders of H shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Bank shall withhold and pay individual income tax at the rate of 20% on behalf of such shareholders.

(III) Tax Relief

I. Non-resident shareholders

According to the relevant provisions of the *Enterprise Income Tax Law of PRC* and the relevant implementing rules, the Notice of the State Administration of Taxation on Issues concerning the Withholding and Payment of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to the Shareholders of Overseas H-Share Non-resident Enterprises (Guo Shui Han [2008] No. 897), and the Notice of the State Administration of Taxation on Issuing the List of Agreed Dividend Tax Rates (Guo Shui Han [2008] No. 112), the Bank shall temporarily withhold and pay corporate income tax at the tax rate of 10% for non-resident enterprise shareholders whose names appear on the Bank's register of members for H-shares, and the actual tax rate shall be applied in accordance with the provisions of the tax agreement.

REPORT OF THE BOARD OF DIRECTORS

II. Non-resident individual shareholders

Pursuant to the Document No. 348 [2011] of the State Administration of Taxation, the Bank shall apply for the relevant tax benefits for non-resident H-share individual shareholders according to the tax agreements signed by their countries with China and the tax arrangement between the Mainland and Hong Kong (Macao).

1. For non-resident individual H-share shareholders whose countries have signed the tax rate agreements of less than 10% with China, the Bank shall apply for the relevant tax benefits under the agreement on their behalf;
2. For individual non-resident H-share shareholders whose countries have signed a 10% tax rate agreement with China, the Bank shall withhold and pay individual income tax at the tax rate of 10%;
3. For non-resident H-share individual shareholders whose countries have signed the tax rate agreement of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the agreed effective tax rate;
4. For non-resident H-share individual shareholders whose countries have signed no tax agreements with China or under other circumstances, the Bank shall withhold and pay individual income tax at the tax rate of 20%.

(IV) Dividend Distribution Policy

The Bank takes into account the interests of all shareholders as a whole and the sustainable development of the Bank in regard to its profit distribution, and emphasizes reasonable investment return to investors. The remaining after-tax profits of the Bank after making up losses, contributing to the statutory reserve fund and general reserve and payment of dividends of preference shareholders may be distributed based on the proportion of shares held by the shareholders according to the profit distribution plan approved by the shareholders' general meeting. The dividends on preference shares shall be paid in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the shares of the Bank are listed and the place where the preference shares are issued or the place where the shares of the Bank are listed, and the Articles of Association of the Bank.

The Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, complies with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the shareholders' general meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to adequately safeguard their legitimate rights and interests.

REPORT OF THE BOARD OF DIRECTORS

IV. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For details of the 2022 Annual General Meeting and closure of register of members, please see the notice of 2022 Annual General Meeting and the circular of the Bank.

V. DISTRIBUTABLE RESERVES

The movements of the Group's reserves available for distribution to shareholders are set out in "Retained earnings" in the "Consolidated Statement of Changes in Equity" of this report for the year ended 31 December 2022.

VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the year ended 31 December 2022 is set out in the summary of financial data in this report.

VII. DONATIONS

External donations made by the Bank and its subsidiaries during the year ended 31 December 2022 amounted to RMB4,038,000 in total.

VIII. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group for the year ended 31 December 2022 are set out in Note 23 "Property and Equipment" to the "Financial Statements" of this report.

IX. RETIREMENT BENEFITS (PENSION PLAN)

Details of the retirement benefits provided for employees of the Group are set out in Note 32(b) "Salaries, bonuses, allowances and subsidies payable" to the "Financial Statements" of this report.

X. ULTIMATE PARENT AND ITS SUBSIDIARIES

Details of the Bank's ultimate parent and its subsidiaries as at 31 December 2022 are set out in the relevant sections of "Changes in Share Capital and Shareholders" and notes to the "Financial Statements" of this annual report, respectively.

XI. PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank and relevant PRC laws have not granted the shareholders of the Bank the terms of pre-emptive rights. The Articles of Association stipulate that based on the requirements for operation and development and in accordance with laws and regulations and the Articles of Association, after the Shareholders' general meeting has made its resolution and the approval has been obtained from the banking regulatory authorities of the State Council, the Bank may increase its registered capital in the following ways: offering new shares to non-specific investors; issuing new shares to specific investors; allotting new shares to existing Shareholders; distributing new shares to existing Shareholders; converting capital reserve into share capital; or any other methods approved by laws and administrative regulations.

REPORT OF THE BOARD OF DIRECTORS

XII. MAJOR CUSTOMERS

During the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The Bank's five largest customers did not account for more than 30% of the Bank's total annual interest income and other operating income.

XIII. CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence. The Bank considers that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are accordingly independent.

XIV. PENALTIES IMPOSED ON DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, the Bank's directors and supervisors were not subject to inspections, administrative punishments, public criticisms by China Securities Regulatory Commission, or public condemnation by the Hong Kong Stock Exchange.

XV. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing related party transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank or connected entities of such persons had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

XVI. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

XVII. PERMITTED INDEMNITY PROVISION

The Bank has taken out appropriate insurance against the liability of its directors, supervisors and senior management in respect of legal proceedings arising out of their performance of the Bank's business activities and reviews its coverage on an annual basis.

No permitted indemnity provision previously or currently in effect benefited the directors of the Bank (whether entered into by the Bank or by others) or the directors of the Bank's associates (if entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors.

REPORT OF THE BOARD OF DIRECTORS

XVIII. MANAGEMENT CONTRACTS

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

XIX. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors and Supervisors had any interest in businesses that constitute or may constitute competition, directly or indirectly, with the business of the Bank.

XX. SUFFICIENT PUBLIC FLOAT

As of the practicable date of the Report, on the basis of publicly available information and to the best knowledge of the Directors, the Bank maintained the sufficient public float to meet the minimum public float requirements under the Hong Kong listing rules and the relevant exemption granted by the Hong Kong Stock Exchange on the date of the listing of the Bank.

XXI. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Bank did not enter into or maintain any equity-linked agreements in respect of shares.

XXII. RELATED PARTY/CONNECTED TRANSACTIONS

(I) Related Party Transactions under the CBIRC Caliber

As of the end of the Reporting Period, the Bank had a total credit balance of RMB32,879 million with all related parties in accordance with the overall calculation by the CBIRC. A transaction between the Bank and a single related party that amounts to more than 1% of the Bank's net capital at the end of the previous quarter, or 5% of the Bank's net capital at the end of the previous quarter in aggregate, is considered to be a material related party transaction; after the cumulative amount of a transactions between the Bank and a single related party reaches the criteria in the preceding standard, any subsequent related party transaction will be re-designated as significant related party transaction for every cumulative amount of more than 1% of the net capital at the end of the previous quarter.

REPORT OF THE BOARD OF DIRECTORS

(II) Connected Transactions under the Hong Kong Listing Rules

The transactions entered into among the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules, subject to the exemption from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all connected transactions and confirmed that such transactions were in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Chapter 14A of the Listing Rules defines connected person differently from IAS 24 Related Party Disclosures and the IASB. The certain related party transactions set out in note 43 to the consolidated financial statements in the "Financial Report" chapter in this Report constitute connected transactions or continuing connected transactions of the Bank under the Listing Rules, but none of which constitute discloseable connected transaction under Chapter 14A of the Listing Rules.

During the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

XXIII. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

As of the end of the Reporting Period, there were four pending litigation cases with amount exceeding RMB10 million in which the Bank was a defendant or third party, which involved an amount of RMB477 million.

XXIV. THE USE OF FUNDS RAISED

During the Reporting Period, the Bank did not raise any new funds.

On 23 March 2018, the Bank completed the issuance of secondary capital bonds totaling RMB10 billion in the national interbank bond market. The funds raised from the secondary capital bonds shall be used to supplement the Tier 2 capital of the Bank after deducting the issuance costs.

On 20 June 2019, the Bank issued US \$1.43 billion of non-cumulative perpetual offshore preference shares. The funds raised from the offshore preference shares shall be used to supplement the Bank's other Tier 1 capital, after deducting issuance costs.

The Bank completed the issuance of 305 million H-shares and 1.338 billion non-overseas listed ordinary shares on 1 and 21 December 2021, respectively, which increased the total number of the Bank's shares to 11,451,268,539. The net amount from this offering, after deducting related issuance costs, amounted to approximately RMB9,663 million, which was fully used to supplement the Bank's core Tier 1 capital.

All the funds raised by the Bank are used according to the purposes disclosed in the prospectus and other relevant documents, that is, to supplement the Bank's capital to support the development of its business in the future.

REPORT OF THE BOARD OF DIRECTORS

XXV. CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank. The Bank adheres to the principles of clarity of authority and responsibility, effective checks and balances in building the corporate governance structure, standardizing the governance operation mechanism, and improving the quality and effectiveness of the governance body's ability to perform its duties. The Bank clarifies and promotes the performance of the respective powers and responsibilities of the general meeting, the Board of Directors, the Board of Supervisors and the senior management in accordance with the law, and promotes the operation of each of governance mechanism of the Bank in compliance with the requirements of laws and regulations, regulatory rules, the Articles of the Bank and other rules. The Bank's corporate governance has remained sound and stable.

XXVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XXVII. OTHERS

As far as the Board of Directors is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Bank had no significant assets acquisitions, disposal and corporate mergers.

During the Reporting Period, the Bank did not pledge any significant assets.

During the Reporting Period, the Bank had no major capital operation.

During the Reporting Period, there were no significant contracts entered into by the Bank or any of its subsidiaries with controlling Shareholders or their subsidiaries.

As of the end of the Reporting Period, the Bank had no stock option plan, equity incentive plan or employee stock ownership plan.

REPORT OF THE BOARD OF SUPERVISORS

In 2022, in strict accordance with the Company Law, the Corporate Governance Standards for Banking or Insurance Institutions, the Guidelines for Work of Board of Supervisors of Commercial Banks and other laws and regulations and regulatory requirements, the Board of Supervisors of the Bank devotedly performed statutory supervision duties and obligations conferred by the Articles of Association of the Bank, thoroughly implemented the decisions and deployment of the Party Committee of the Bank, closely focused on the key work of the Bank such as the strategic planning and “Asset Quality Year” activities as well as risk, internal control and other key areas, conducted the supervision in a steady and orderly manner, and fostered continuous optimization and improvement of corporate governance. Adhering to the first priority of performing duties and strengthening the foundation as the fundamental starting point, it contributed to the improvement of effectiveness of supervision as well as a remarkable increase in the risk management and internal control level of the Group by putting the performance management of boards of supervisors of subsidiaries as an important extension, enhancing capacity building as a strong start and combining process supervision and special supervision. The report on the relevant work is as follows:

I. COMPOSITION OF BOARD OF SUPERVISORS

As of the end of 2022, the Board of Supervisors of the Bank consisted of nine Supervisors, comprising three employee representative Supervisors (being Ms. Wang Xigui, Ms. He Heng and Mr. Lai Jiexiong); three external Supervisors (being Mr. Han Zhenping, Mr. Shi Shuiping and Mr. Huang Tianshun); and three shareholder Supervisors (being Mr. Chen Jianliang, Mr. Liang Bingtian and Mr. Feng Jintang).

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consisted of five Supervisors, with external supervisor Mr. Shi Shuiping as the chairman and Wang Xigui, Huang Tianshun, Liang Bingtian and He Heng as members; the Audit and Supervision Committee consisted of five Supervisors, with external Supervisor Han Zhenping as the chairman and Shi Shuiping, Chen Jianliang, Feng Jintang and Lai Jiexiong as members.

II. MEETINGS OF BOARD OF SUPERVISORS

In 2022, the Board of Supervisors convened a total of 10 meetings, at which 39 resolutions were considered and approved, including the 2021 performance assessment report of Supervisors, directors and senior management and its members, the 2021 annual report of the Bank, the 2022 interim report, the 2021 profit distribution plan and 2021 internal control assessment report as well as 2021 Comprehensive Risk Management Work Report and compliance risk Management Work Report, money laundering and terrorist financing risk self-assessment report, and election of supervisor candidates. In addition, 29 matters were reported, including the audit on quarterly work reports, supervisory comments on the Bank and the status of rectification, “Asset Quality Year” performance report, quarterly reports on risk management, quarterly operation reports, and reports on consumer rights protection and case prevention and control for 2021.

The Nomination Committee of the Board of Supervisors held a total of four meetings, at which 10 resolutions were considered and approved, including the 2021 Work Report of the Nomination Committee of the Third Session of the Board of Supervisors, the 2021 performance assessment report of Supervisors, Directors and senior management and its members, and measures for the management and performance evaluation of the chief supervisors of subsidiaries. In addition, the resignation of Mr. Zhang Gang as a supervisor of the Board of Supervisors was reported.

REPORT OF THE BOARD OF SUPERVISORS

The Audit and Supervision Committee of the Board of Supervisors held a total of six meetings, at which 10 resolutions were considered and approved, including the 2021 Work Report of the Audit and Supervision Committee of the Third Session of the Board of Supervisors, 2021 Annual Strategic Assessment Report of the Bank, and the 2022 strategy implementation outline. In addition, the three matters were reported, including the special audit report on related party transactions and the comprehensive audit report on information technology for 2021.

III. SUPERVISION WORK OF THE BOARD OF SUPERVISORS

(I) **Taking duty performance as the first priority, adhering to the important role of internal supervision, keeping a watch on material risks and key areas, and promoting the improvement of the operation and management level of the whole Bank**

Firstly, closely following the main line of risk management supervision and boosting the improvement of risk management and control level. On the one hand, actively carrying out the implementation requirements of the Bank's strategic plan and the activity spirit of "Asset Quality Year", conducting special research on the risk management of credit business in various aspects, making in-depth research and analysis on the credit risk management of the Bank, and coming up with targeted management suggestions. From the perspective of the risk control mechanism and system process of the Bank in respect of credit business, we conducted in-depth analysis of typical cases of violation of the credit business, identified the deep-seated problems in the risk management system and mechanism and key links in respect of credit business, and put forward targeted management suggestions from the perspectives of strengthening the decision-making at the governance level, improving the relevant system, defining the responsibility of the main body, and strengthening the evaluation and accountability, for the sake of laying a solid foundation for asset quality management. At the same time, we attached significance to the fundamental rectification of violations in respect of credit granting business by focusing on prominent problems such as poor post-loan inspection, loan funds misappropriation or return in the post-loan management. We released work reminders to the relevant management departments, and urged the operation institutions to do well in the post-loan management as required. On the other hand, from the formulation and implementation of risk management policies and systems, continuing to strengthen the process supervision of overall risk management, the implementation of "Asset Quality Year" activities, and key areas of asset business risk. We kept a close watch on the 2022 credit and investment policy, the report and plan on comprehensive risk management, the plan for "Asset Quality Year" activities and periodic report, asset and non-performing assets control system and evaluation plan, credit asset risk classification system and other framework institutional documents. In addition, we checked and reviewed the standardization of system content, the effectiveness of risk prevention and control measures, as well as specific contents in respect of authority process and division of responsibilities, and kept a close eye on risks in the source links such as the formulation of rules and regulations and the introduction of plans and programs. We laid stress on major decisions such as disposal of material risks and non-performing assets, major related party transactions in respect of credit granting, risk warning and management of key assets, followed up the supervision for the implementation of decisions, and the effect and the progress of risk prevention and control, kept abreast of changes in the Bank's asset quality, the movements of major regulatory indicators, the implementation of credit granting and investment policies, warned emerging risks in a timely manner and contributed to a better risk management.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, doing a good job in grasping the key points of internal control and supervision and striving for the good operation of the internal control mechanism. While deepening the work of the supervision system of the whole Bank, we should make a grasp of key points of internal control and supervision, and keep a close on the formulation of various important systems and the internal control of key links in the Bank. During the Reporting Period, the Board of Supervisors carefully examined more than 200 important system documents, and reviewed important documents such as the letter of authorization transfer for 2022, the “Sanzhong Yida” decision-making system, the accountability management method and supporting rules, the system formulation method, the related party transaction management method, the remuneration deferred payment management method, and the compliance and risk management evaluation method. We kept a close eye on whether regulatory requirements are strictly implemented and in line with the actual work needs, conducted a prudently evaluation of the effectiveness of prevention and control measures taken for key business areas and key process links, and came up with targeted suggestions to help achieve the improvement of compliance management. At the same time, we conducted in-depth supervision and inspection of the Bank’s network security system construction and system implementation as well as the progress of the special rectification of prominent problems and risks of State-owned enterprises. We took various means such as document review, individual interviews, and the delivery of supervision reminder, promptly pointed out the weaknesses in the construction and self-examination of the Bank’s network security system and in the rectification of prominent problems, and put forward targeted supervision requirements, so as to maximize the supervision and inspection effect, and effectively deal with the loopholes in internal control and management.

Thirdly, enriching the forms of financial supervision and promoting the refined financial management. Laying stress on the financial management of the Bank, strengthening the routine supervision follow-up and participation in the inspection, and making the further communication with the financial management department and external audit institutions so as to enhance the breadth and depth of financial supervision. We followed up important financial data and business performance of the Group on a regular basis, and intensified the review and control of material financial matters such as annual reports, financial budget and final account plans, profit distribution plans, the business plan of the Bank and operation evaluation results. We supervised the special work of EAST data governance of the Bank, urged the financial department to earnestly carry out the latest requirements of financial management for State-owned financial enterprises, and boosted the consolidation of the financial management foundation. In addition, we organized the self-examination of the compensation and business expenditure of corporate leaders, and stimulated the implementation of relevant regulations on the management of the compensation and business expenditure. We intensified the supervision of the Group’s balance sheet management, promptly released written warnings on the financial management weaknesses of subsidiaries, and contributed to an increase in the refined financial management level of the Group. At the same time, we held a special mid-year meeting on 2022 interim financial report, where in-depth exchanges were conducted with the financial management department and external audit institutions on the operational problems and countermeasures reflected in the financial data of the Bank. We voiced opinions and requirements on the internal control suggestions made by the external audit institutions and the key financial work of the Bank. We made good use of external professional forces, specially listened to the professional guidance of external audit institutions on the implementation of the expected credit loss method, and urged them to strictly implement the financial management supervision requirements. In view of the major problems in the financial and internal control aspects of the Bank, we released a timely written warning to external audit institutions for their attention, and contributed to the combination of internal and external supervision efforts, thereby enhancing the level of financial management.

REPORT OF THE BOARD OF SUPERVISORS

Fourthly, deepening the supervision over the implementation of the strategy and contributing to the implementation of the strategy. We performed the special evaluation of the implementation for 2021 Annual Strategy Implementation Outline, oversaw and inspected the implementation and completion of the strategic plan and annual business plan, and summarized the existing problems of the Board of Directors and senior management in boosting the implementation of the strategic outline. We also put forward suggestions on intensifying dynamic supervision, highlighting business characteristics, deepening internal control and risk management, expanding the business coverage, and strengthening the support of talents, technology and data. We closely followed up the formulation and implementation process of the 2022 strategic plan, kept a watch on the connection between the annual strategic implementation outline and the goals of the 14th Five-Year Strategic Plan, periodically reviewed the self-evaluation report on the quarterly completion of the strategic implementation outline, and came up with the supervision suggestions in a timely manner. We also went to Baiyun Branch, Liwan Branch and other branches for field research. We listened to reports on strategy implementation and suggestions from such branches, and endeavored to strengthen dynamic supervision, thus making the strategic supervision more effective.

Fifthly, intensifying the performance supervision and raising the capability of governance bodies to perform their duties. Taking the combination of routine supervision and process supervision to achieve the in-depth supervision of the Board of Supervisors over the duty performance of the Board of Directors and senior management. On the one hand, we conducted high-quality annual performance evaluation of supervisors, the Board of Directors, senior management and their members. In strict accordance with regulatory requirements and relevant provisions of the Bank's performance evaluation measures, we managed to make the comprehensive and objective evaluation of the performance of the supervisors, the Board of Directors, the senior management and their members in 2021 by referring to performance files, reviewing work reports, conducting interviews and other means, and combining with the relevant performance information obtained in the routine supervision process and through self-evaluation, mutual evaluation, listening to opinions and other procedures. We also reported the performance evaluation results to the regulatory authorities and the general meeting of shareholders as required. As for the problems in respect of the performance of duties, we promptly provided management suggestions for the Board of Directors and senior management, so as to help the management to enhance the performance capability and performance effectiveness. On the other hand, we made the further dual-line supervision of meeting procedures and routine performance of the Board of Directors and senior management, which was supplemented by the mid-year supervision as an effective means. In addition, we actively attended important meetings of the Party Committee, general meeting of shareholders, the Board of Directors and its committees, and the Bank's office, so as to have a good grasp of the compliances of the Board of Directors, senior management and their special committees as well as the performance of the duties of directors and senior management, and to achieve the follow-up supervision of the implementation effect of the decisions made at the meetings of the Board of Directors and senior management. We conducted the special mid-year supervision, focusing on the inspection of the performance of the Board of Directors, the Bank's Office, the executive committee and its subordinate committees in terms of routine management of meetings, and system construction and implementation. We released written warnings on the identified problems, so as to boost the standardized and efficient operation of governance.

REPORT OF THE BOARD OF SUPERVISORS

(2) Deepening the implementation of the supervision system of the Bank, promoting the standardized and effective compliance management of internal control, and helping to achieve high-quality development with the strong and solid foundation as a fundamental starting point

Firstly, strengthening the overall planning and guidance, and making the supervision system of the Bank more systematic and forward-looking. Combined with the arrangement of central activities in "Asset Quality Year", at the beginning of the year, we organized the audit, compliance, risk management departments and some operating institutions to convene a special meeting on the supervision system of the Bank for 2022, where the problems existing in the process of promotion were summarized, the work of deepening the implementation of the supervision system throughout the year was further arranged, and the direction and objectives of the work in the next stage were determined.

Secondly, laying stress on system improvement and improving the quality of internal control compliance management. On the one hand, the standardization of the system is always put as a key starting point to enhance the internal control management and the governance capability. We organized a third-party professional consulting company and the compliance legal department to convene a special meeting on the system construction of the Bank, raised the specific work requirements in view of the existing problems in institutional construction and management, and urged and guided the gradual establishment of a complete, scientific and standardized institutional system of the Bank, thereby laying a solid foundation of internal control and compliance for the realization of the strategic goal of "becoming a first-class commercial bank in China". On the other hand, deepening the effectiveness of system implementation, and adhering to the principle that the system management provisions are internalized into compliance internal control management capability. We urged the Compliance and Law Department to conduct the further supervision and management over the implementation of the system, and to make more efforts for random inspection and verification of the implementation of the system, thereby stimulating the internal motivation of all departments and institutions for self-inspection and self-correction. We regularly conducted the spot inspection of series of working papers on the system effectiveness assessment of the head office's management department and operating institutions, system implementation inspection and others, and urged relevant responsible subjects to identify and resolve weaknesses, and to intensify the internal control. During the Reporting Period, we got the head office to develop and revise 304 regulations, check the system implementation of 255 items, and rectify 756 problems.

REPORT OF THE BOARD OF SUPERVISORS

Thirdly, intensifying the supervision and guidance, and effectively improving the effect of “three-line” combined management and control. Through various supervision forms such as referring to documents, listening to reports and conducting special supervision and field inspection, we closely followed up the implementation of the construction of the supervision system of the Bank by the Board of Directors, senior management, audit department, compliance and law department and other relevant departments, so as to verify the performance of their duties and supervision results, promptly identify the weaknesses in the process of promotion, and oversee and urge them to earnestly perform their duties. At the same time, with the integrated effect of internal audit and compliance supervision, we gave full play to the combined efforts of internal supervision, and boosted the improvement of internal control management effect. We guided the internal audit department to conduct the further dynamic supervision of the internal control of the Bank in the routine special audit, took advantage of the problem clues identified in the internal and external inspection conducted by external regulatory institutions, internal management departments and branches, gave play to the inspection role of audit, and did a good job in the evaluation of internal control. We fed back to the Compliance and Law Department the problems of incomplete system construction and inadequate system implementation that were regularly summarized by the audit department, and urged the Compliance and Law Department to conduct the faithful inspection of the system implementation of each management department and make the spot check of the self-inspection of internal control of branches, so as to enhance the effectiveness of the supervision.

Fourthly, focusing on problem rectification and helping to improve the quality of problem rectification. We took the long-term governance of problem rectification as an effective means to deal with the weaknesses in internal control and management, established the ledger of problems identified in internal and external inspection, and focused on the follow-up inspection of the implementation of the rectifications proposed in the supervision and management opinions of the local banking and insurance regulators and the accredited organs of the municipal auditing office, and the rectification of problems in respect of credit granting business, and regularly checked the rectification results. In addition, we put forward the suggestions of deduction marks in the compliance and risk management evaluation for 5 branches and 6 subsidiaries with typical rectification problems such as rectification discrepancy, so as to give full play to the warning and deterrent role of the supervision on problem rectification. We conducted a special survey on business problem rectification and management for 2021, comprehensively reviewed the Bank’s weaknesses in rectification management, made the spot check and verification of some rectified problems, with a focus on the verification and analysis of the rectification of problems in respect of credit business. We investigated and analyzed the characteristic practices and advanced experience of some peer institutions in terms of problem rectification management. In addition, we performed an overall examination of the weaknesses in the rectification management of the Bank in terms of system construction, responsibility division, work procedures, assessment and evaluation, and system construction. We also contributed to the improvement of the problem rectification management mechanism, and defined the relevant responsibilities of responsible units and management departments of rectification, so as to achieve the standardized management in the whole process of rectification.

REPORT OF THE BOARD OF SUPERVISORS

- (III) **With the performance management of the Board of Supervisors of subsidiaries as an important extension, extensively promoting the performance management and guidance of the chief supervisors of subsidiaries, enhancing the governance level of subsidiaries, and creating a new model of supervision and management of subsidiaries.**

Firstly, improving the management mechanism and further defining supervision responsibilities. We adhered to the principle of the system first, issued the Guiding Opinions on Improving the Quality and Effectiveness of the Supervision of the Supervisory Boards of Subsidiaries, revised the Management Measures for the Chief Supervisors of Subsidiaries and the Performance Evaluation Measures for the Chief Supervisors of Subsidiaries, and defined the supervisory duties of the supervisory boards of subsidiaries. In addition, we further defined duty performance path, specifically established the risk information reporting mechanism of supervisory boards of subsidiaries, introduced the specific work measures for meetings supervision of supervisory boards of subsidiaries, clarified the requirements and responsibilities of supervisory boards of subsidiaries for reporting risk information and conducting decision-making supervision, and urged them to diligently perform risk supervision duties and other duties. During the Reporting Period, 30 supervisory boards of subsidiaries totally delivered 26 special reports on important events, and periodically reported 4 work reports of supervisory boards and 10 asset risk information ledgers of subsidiaries, respectively. The Board of Supervisors of the Bank summarized and analyzed the risk situations reported by the supervisory boards of the subsidiaries, and released 5 written warnings for the work of the supervisory boards and 3 special reports of risk supervision. In addition, we urged the relevant subsidiaries and their management departments to adopt timely measures for risks. As a result, the potential risks of subsidiaries were exposed, and the full play was given to the important role of the supervisory boards of subsidiaries in reporting and supervising risks.

Secondly, intensifying the duty-performing management and urging them to perform their duties with diligence; attaching equal significance to annual evaluation and process supervision, and doing a good job in the "combination" of the performance management of the chief supervisor of the subsidiaries. On the one hand, we conducted the 2021 performance evaluation for the chief supervisors of subsidiaries, and put the evaluation as the starting point to help them identify their weaknesses. We comprehensively reviewed the performance of the chief supervisors of subsidiaries for 2021, objectively evaluated their performance and made the performance evaluation report, offered targeted improvement suggestions on the identified problems, and guided the chief supervisors of subsidiaries to determine the key points for the performance of duties, and perform their duties with diligence. On the other hand, we carried out the in-depth practice of new means of duty performance management, and intensified the duty performance process supervision in an all-round way. We guided the supervisory boards of the subsidiaries to develop the 2022 work plan, thus making the supervision work more systematic and forward-looking. We also reviewed the duty performance documents of the supervisory boards of the subsidiaries on a quarterly basis, conducted the mid-year supervision work of the supervisory boards of the subsidiaries for 2022, and reported the duty performance of the supervisory boards of the subsidiaries in the first half of the year. We revealed the highlights of duty performance, and pointed out the problems and weaknesses in the duty-performing process. We

REPORT OF THE BOARD OF SUPERVISORS

arranged the 3 chief supervisors with poor performance from the subsidiaries to report their work by video, listened to their ideas and plans for improving the work online, transferred the duty performance pressure downward, and contributed to the improvement of work quality. As for the supervisory boards of individual subsidiaries that failed to perform their supervisory duties in strict accordance with the relevant regulations, we released 2 written work warnings in a timely manner, clarified the existing problems and made the rectification requirements, so that the problems and weaknesses could be smoothly resolved.

Thirdly, intensifying the professional guidance and enhancing the capability to perform duties. The combination of professional knowledge training and practical performance guidance helps the chief supervisors of subsidiaries to enhance their capabilities of overseeing the performance of duties. During the Reporting Period, we conducted the two sessions of special training (online) on improving the duty-performing capabilities of the chief supervisors of the subsidiaries with the training time amounting to a total of 21 hours, and invited outstanding lecturers inside and outside the Bank to give targeted lectures, so as to broaden their thinking of performance and improving their professional quality. We conducted the 24 sessions of remote training for the chief supervisors of subsidiaries, established innovative experience-sharing columns, regularly interpreted the latest regulatory provisions, shared the performance information of peers, and constantly enhanced the professional duty-performing capabilities of the supervisory boards of subsidiaries. At the same time, we released the Special Support Plan for Improving the Performance Quality and Efficiency of the Supervisory Boards of Subsidiaries, and arranged the professional strength of the Bank to provide targeted guidance for the supervisory boards of subsidiaries by classification and batch. We provided targeted guidance for the 6 supervisory boards of subsidiaries selected in the first batch. We also reviewed more than 50 proposals of major shareholders' meetings of the 30 subsidiaries, such as amendments to the articles of association of subsidiaries, rules of procedure of the Board of Supervisors, the 2021 annual report on the work of the Board of Supervisors, and the method of electing supervisors. In addition, we issued the professional guidance opinions to make the duty performance of the Board of Supervisors of subsidiaries more standardized.

(IV) With capacity building as a strong starting point, doing a good job in ensuring the performance of duties, and helping improve the duty performance level of supervisors

Firstly, strengthening the staff strength of the Board of Supervisors. Pursuant to laws and regulations, we strictly carried out the standard procedures concerning the nomination of supervisor candidates, qualification examination and deliberation at meetings, and successfully completed the by-election of one shareholder supervisor and one external supervisor, filled up the members of the Board of Supervisors, and contributed to the formation of a better corporate governance structure. We organized supervisors to participate in on-site training courses for improving the performance capabilities of directors, supervisors and senior management, and conducted remote training on such topics as protection of financial consumers' rights and interests, management of related party transactions, control of expected credit losses of commercial banks, and anti-money laundering, for the sake of enhancing supervisors' professional performance capability and level.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, improving the working system of the Board of Supervisors. Pursuant to the Code for Corporate Governance of Banking and Insurance Institutions and other institutional provisions, we revised the Rules of Procedure of the Board of Supervisors, the Rules of Procedure of the Nominating Committee of the Board of Supervisors, the Rules of Procedure of the Audit and Supervision Committee of the Board of Supervisors and other institutional documents in a timely manner, and further improved the responsibilities of the Board of Supervisors and its special committees, the voting methods of the Board of Supervisors, and the requirements of reporting to the regulators, thus laying an institutional foundation for the standardized performance of the Board of Supervisors.

Thirdly, fully guaranteeing the supervisors' right to know. We organized members of the Board of Supervisors to visit Baiyun Branch, Liwan Branch and other branches for field research, listened to the opinions and suggestions from such branches, and had a better understanding of the specific operations of such branches. We strictly followed the working mechanism of information submission, and submitted monthly reports, quarterly reports, work newsletters and the Bank's business management information reports to all supervisors, so as to ensure that members of the Board of Supervisors can have a timely and comprehensive grasp of the business condition of the Bank, risk management status of the Bank and the latest regulatory requirements for the Bank, thereby helping the Board of Supervisors to perform accurate supervision work.

Fourthly, improving the supervisory role of the meetings of the Board of Supervisors. In 2022, we organized to convene 10 meetings of the Board of Supervisors, where 39 proposals were reviewed, and 29 matters were reported, with an increase of 3, 7, and 18, respectively, over the previous year. In addition, the supervision covered a wider range of items and matters, which gave better play to the important decision-making and supervisory role of the Supervisory Board meetings. Before the meetings, members of the Board of Supervisors were provided with comprehensive and detailed information to ensure that the Board of Supervisors has the right to know about major matters, to effectively supervise key proposals and key contents, and to record the comments and suggestions of the supervisors in a detailed and accurate manner. In addition, we did a good job in following up the implementation of the suggestions of the Board of Supervisors and in constantly improving the quality and efficiency of the meetings.

REPORT OF THE BOARD OF SUPERVISORS

IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

Legal operation of the Bank: During the Reporting Period, the Board of Directors and senior management of the Bank adhered to the operation in accordance with the laws, and the decision-making procedures complied with laws, regulations and the relevant provisions of the Articles of Association of the Bank. In the performance process, no behaviors were found in breach of the laws, regulations and the Articles of Association of the Bank, or jeopardized the interest of the Bank.

Preparation of regular reports: During the Reporting Period, the Board of Supervisors reviewed the 2021 annual report and 2022 interim report of the Bank, and considered that its procedures of preparation and approval were in compliance with relevant laws, regulations and regulatory requirements, and these reports give a true, accurate and complete view of the financial positions and operating results of the Bank.

Profit distribution plan: During the Reporting Period, the Board of Supervisors reviewed the 2021 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant provisions of laws, regulations and the Articles of Association, and was in the interests of all the shareholders, which was beneficial to the long-term development of the Bank.

Formulation and implementation of strategy: After its assessment on the development strategy in terms of scientific standard, rationality and soundness, the Board of Supervisors considered that the strategy outline of the Bank was comprehensive and scientific and was already implemented well, allowing the Bank to make progress in key areas effectively.

Implementation of resolutions adopted at general meeting(s): The Board of Supervisors supervised the implementation of resolutions passed at general meeting(s), and concluded that the Board of Directors and the senior management were able to duly implement such resolutions.

Performance of the Board of Directors and senior management and their members: During the Reporting Period, the Board of Supervisors appraised the performance of the Board of Directors and senior management and their members for 2021 pursuant to the supervisory regulations, and reported the performance appraisal results to the general meeting and the regulator. The performance appraisal results were competence and above.

Internal control and risk management: During the Reporting Period, the Board of Supervisors supervised the internal control and risk management of the Bank, and reviewed the 2021 Internal Control Assessment Report and 2021 Work Report on Comprehensive Risk Management. No material defects were found in the internal control and risk management of the Bank.

Performance of social responsibility: During the Reporting Period, the Bank performed its social responsibility in a proactive manner, and the Board of Supervisors had no objections to the 2021 Corporate Social Responsibility Report of the Bank.

Related party transactions: During the Reporting Period, the Bank entered into related party transactions in accordance with the laws and regulations of PRC and the relevant requirements of the Articles of Association. The Board of Supervisors confirmed that no activities were in breach of the principles of honest and fair or jeopardized the interest of the Bank and its shareholders.

REPORT ON SANNONG FINANCIAL SERVICES

The Bank has upheld Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guidance, fully applied the guiding principles of the successive plenary sessions of the 20th National Congress of the Communist Party of China (CPC) and the No. 1 Central Document, and fulfilled its mission of supporting local legal-person banks to support agriculture and small businesses to promote the revitalisation of villages in a high-quality manner.

As of the end of the Reporting Period, the Bank's balance of agriculture-related loans amounted to RMB43.439 billion, representing a year-on-year increase of 8.45%, while the balance of inclusive agriculture-related loans amounted to RMB8.410 billion, representing a year-on-year increase of 24.66%, maintaining its leading position in the regional market of financial services for agriculture, rural areas and farmers.

Strengthening agricultural finance services. The Bank strived to ensure food security and stable production and supply of important agricultural products. As of the end of the Reporting Period, the Bank has provided loans of RMB4.651 billion to local leading agricultural enterprises, representing a year-on-year increase of 8.97%, with 16 new leading agricultural enterprises. The Bank fully supported the development of inclusive agricultural subjects. As of the end of the Reporting Period, the balance of the Bank's loans for production and operation of rural households amounted to RMB12.502 billion, representing a year-on-year increase of 24.43%, and the cumulative amount invested during the Reporting Period was RMB11.239 billion, representing a year-on-year increase of 22.10%. The Bank deepened its support for the development of green and ecological agriculture. As of the end of the Reporting Period, the Bank has invested RMB3,606 million in green loans for agriculture, forestry, animal husbandry and fisheries, with an additional RMB575 million invested during the Reporting Period.

Optimising rural finance. The Bank further promoted the construction of rural credit system and gradually promoted the "whole village credit" business model. As of the end of the Reporting Period, the Bank launched business in 304 villages, with an accumulated investment of RMB1.97 billion and an additional investment of RMB1.23 billion during the Reporting Period. The Bank explored the mortgage financing model for rural property rights in Guangzhou-Qingyuan comprehensive area, and innovated and developed the "Rural Land Contracting and Operation Right Mortgage Loan" to support the development of modern agriculture. The Bank actively revitalised the stock of rural collective construction land and innovatively launched the "collective construction land credit loan" and "collective construction land project loan" to promote the employment and entrepreneurship of local farmers. As of the end of the Reporting Period, the balance of the Bank's credit loan products amounted to RMB48,782,800, which contributed significantly to the development of the rural collective economy.

Refining farmer finance. The Bank effectively consolidated the great achievements in poverty eradication, and actively implemented the requirements of the "Work Plan on Municipal State-owned Enterprise in Association with Relevant Northern Towns and Streets to Contribute to Rural Revitalisation (《關於市屬國有企業聯繫北部相關鎮街助力鄉村振興工作方案》)". In 2022, the Bank lent a total of RMB9.97 million to support the homestay project in Jiasongling Village, Paitan Town, Zengcheng District, driving the development of its local tourism. Relying on the advantages of the "Jinmi Market" platform, the Bank helped agricultural products go out of villages and into cities, and introduced renowned quality agricultural merchants this year to boost the sales of agricultural products. The Bank provided excellent asset appreciation services and issued exclusive wealth management products based on the medium and long-term financial needs of villagers. In 2022, the Bank raised a total of RMB146 million, with a balance of RMB1,116 million.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guangzhou Rural Commercial Bank Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 159 to 325, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs; and
- Consolidation of structured entities.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs</p>	
<p>Refer to note 2, note 3, note 19 and note 22 to the consolidated financial statements.</p> <p>As at 31 December 2022, the gross amount of Group’s loans and advances to customers was RMB691,972million, of which RMB606,679 million were measured at amortized cost and RMB85,293 million were measured at fair value through other comprehensive income. A loss allowance of RMB22,854million was recognized for loans and advances to customers measured at amortized cost and a loss allowance of RMB53 million was recognized for loans and advances to customers measured at fair value through other comprehensive income in the Group’s consolidated statement of financial position.</p> <p>As at 31 December 2022, the gross balance of financial investments measured at amortized costs amounted to RMB198,380 million, with a loss allowance of RMB1,863 million.</p> <p>The credit impairment losses on loans and advances to customers and financial investments measured at amortized costs recognized in the Group’s consolidated income statement for the year ended 31 December 2022 amounted to RMB9,493 million and RMB891 million, respectively.</p>	<p>Our audit procedures relating to ECL for loans and advances to customers and financial investments measured at amortized cost are as follows:</p> <p>We assessed the inherent risk of material misstatement relating to ECL for loans and advances to customers and financial investments measured at amortized costs by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</p> <p>We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and financial investments measured at amortized costs, primarily including:</p> <ul style="list-style-type: none"> – The selection, approval and application of ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; – Internal controls relating to significant management judgments and assumptions over ECL models, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, and defaults or credit-impaired, forward-looking measurement;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses ("ECL") for loans and advances to customers and financial investments measured at amortized costs (continued)</p>	
<p>The aforesaid credit impairment losses as at 31 December 2022 for the financial assets represented management's best estimates of the ECL in accordance with International Financial Reporting Standard 9: Financial Instruments ("IFRS 9" or "the standard").</p> <p>Following the requirements of IFRS 9, management applied ECL models and made the best estimation of ECL for loans and advances to customers and financial investments measured at amortized costs on the reporting date. The Group assesses whether the credit risk of loans and advances to customers and financial investments measured at amortized costs have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments measured at amortized costs classified into stages I and II, and all personal loans, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments measured at amortized costs in stage III, management assesses loss allowance by estimating the cash flows from the loans and financial investments.</p> <p>The measurement models of ECL involve significant management estimations and judgments, primarily including the following:</p> <ul style="list-style-type: none"> – Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; 	<ul style="list-style-type: none"> – Internal controls over the accuracy and completeness of key inputs used by the models; – Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments measured at amortized cost in stage III; and – Internal controls over the information systems for model-based calculation. <p>The substantive procedures we performed primarily included:</p> <ul style="list-style-type: none"> – With our internal ECL modelling specialists' assistance, we reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgments and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by the management; – We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs (continued)	
<ul style="list-style-type: none"> – Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired incurred; – Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and – The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III. <p>Considering the material balances of loans and advances to customers and financial investments measured at amortized costs, significant management estimations and judgments, and complex models involved for impairment assessment, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> – With the support from our internal ECL modelling specialists, we assessed the forward-looking information in ECL models used by management, including reviewing management’s selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic scenarios’ weightings; – We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness; and – For corporate loans and financial investments measured at amortized costs in stage III, we examined, on a sample basis, the reasonableness of the forecasted future cash flows prepared by management, including forecasted cash flow and discount rates, etc. from financial information of borrowers and guarantors, latest collateral valuations, and other available information. <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs, the models, key parameters, significant judgment and assumptions adopted by management and the measurement results were considered acceptable.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
<p>Refer to note 2, note 3 and note 39 to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group has managed and invested in various structured entities, such as wealth management products, trust plans and asset management plans. The Group determined whether to consolidate these structured entities based on its assessment whether the Group has control, taking into consideration the power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis over these factors and the conclusion of the control in place or not, involved significant judgments and estimations. Due to the significance of the structured entities and the complexity of judgment exercised by management, consolidation of structured entities is considered a key audit matter.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none"> – Understood the process and relevant controls over the assessment and disclosures of consolidation of structured entities; – Assessed the management's accounting policies about control and the application consistency of these accounting policies, which included the assessment of the Group's power, variable returns from its involvement with, and its ability to use its power to affect the amount of its return from structured entities; – Reviewed the relevant term sheets and the corresponding supporting documents on a sample basis to assess whether the Group had legal or constructive obligation to absorb any loss of the structured entities, and whether the Group has provided liquidity support or credit enhancement to the structured entities, so as to evaluate the Group's controls over the structured entities; and – Understood and evaluated the appropriateness of disclosures in the consolidated financial statements relating to structure entities. <p>Based on the procedures we have performed and the evidence obtained, we found the management's judgment on consolidation of structured entities was acceptable.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude 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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December	
		2022	2021
Interest income	5	43,818,399	42,565,951
Interest expense	5	(25,236,383)	(23,006,795)
Net interest income		18,582,016	19,559,156
Fee and commission income	6	1,697,764	1,639,910
Fee and commission expense	6	(315,676)	(320,843)
Net fee and commission income		1,382,088	1,319,067
Net trading gains	7	1,077,380	2,042,793
Net gains on disposal of financial assets at fair value through other comprehensive income		287,340	338,344
Net gains on disposal of financial assets measured at amortized cost		222,767	5,588
Other income, gains or losses	8	993,057	215,584
Operating income		22,544,648	23,480,532
Operating expenses	9	(7,346,181)	(6,420,267)
Credit impairment losses	11	(10,626,000)	(12,540,167)
Impairment losses on other assets		(62,119)	(62,812)
Profit before income tax		4,510,348	4,457,286
Income tax expense	12	(472,572)	(680,993)
Profit for the year		4,037,776	3,776,293
Attributable to:			
Shareholders of the Bank		3,492,159	3,175,208
Non-controlling interests		545,617	601,085
		4,037,776	3,776,293
Earnings per share (RMB yuan)			
– basic and diluted	14	0.25	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Year ended 31 December	
	2022	2021
Profit for the year	4,037,776	3,776,293
Other comprehensive income (after tax, net)		
Items that may be reclassified to losses		
Changes in the fair value of financial assets at fair value through other comprehensive income	(614,190)	97,298
Changes in the expected credit losses of financial assets at fair value through other comprehensive income	(40,777)	262,484
Items that will not be reclassified to profit or loss		
Remeasurement losses on defined benefit plans	(19,046)	(40,862)
Sub-total of other comprehensive income for the year	(674,013)	318,920
Total comprehensive income for the year	3,363,763	4,095,213
Total comprehensive income attributable to:		
Shareholders of the Bank	2,880,713	3,460,253
Non-controlling interests	483,050	634,960
	3,363,763	4,095,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

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

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and deposits with central bank	15	87,256,135	86,264,989
Deposits with banks and other financial institutions	16	7,764,638	20,275,410
Placements with banks and other financial institutions	17	43,468,970	33,951,904
Financial assets held under resale agreements	18	57,474,333	53,049,060
Loans and advances to customers	19	669,117,866	637,553,811
Financial investments			
– Financial assets at fair value through profit or loss	20	81,974,528	91,628,563
– Financial assets at fair value through other comprehensive income	21	70,945,255	65,205,249
– Financial assets at amortized cost	22	196,517,323	157,404,703
Property and equipment	23	2,934,546	2,750,899
Goodwill	24	734,237	734,237
Deferred tax assets	25	10,424,635	7,665,004
Other assets	26	4,841,985	5,144,797
Total assets		1,233,454,451	1,161,628,626
LIABILITIES			
Due to central bank		20,462,293	24,859,889
Deposits from banks and other financial institutions	27	29,324,940	36,226,681
Placements from banks and other financial institutions	28	3,342,939	1,331,545
Financial liabilities at fair value through profit or loss		4,005	5,619
Financial assets sold under repurchase agreements	29	38,717,319	32,359,979
Customer deposits	30	910,485,032	849,766,804
Income tax payable		2,231,408	1,344,407
Debt securities issued	31	124,580,525	108,033,562
Other liabilities	32	16,056,888	20,814,874
Total liabilities		1,145,205,349	1,074,743,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

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

	Note	31 December 2022	31 December 2021
EQUITY			
Share capital	33	11,451,269	11,451,269
Preference shares	34	9,820,734	9,820,734
Reserves	35	39,812,050	38,977,950
Retained earnings		19,994,521	19,777,351
Equity attributable to shareholders of the Bank		81,078,574	80,027,304
Non-controlling interests		7,170,528	6,857,962
Total equity		88,249,102	86,885,266
Total liabilities and equity		1,233,454,451	1,161,628,626

The consolidated financial statements were approved by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Cai Jian
Chairman

Mao Libing
Chief Financial Officer

Huang Sunan
Head of Financial Department

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Attributable to shareholders of the Bank							Non-Controlling interests	Total		
	Share capital Note 33	Preference shares Note 34	Reserves				Subtotal Note 35			Retained earnings	
			Capital reserve	Surplus reserve	General reserve	Other comprehensive income					
Balance at 1 January 2022	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	80,027,304	6,857,962	86,885,266
Net profit for the year	-	-	-	-	-	-	-	3,492,159	3,492,159	545,617	4,037,776
Other comprehensive income for the year	-	-	-	-	-	(611,446)	(611,446)	-	(611,446)	(62,567)	(674,013)
Total comprehensive income	-	-	-	-	-	(611,446)	(611,446)	3,492,159	2,880,713	483,050	3,363,763
Transactions with non-controlling interests	-	-	(13,658)	-	-	-	(13,658)	-	(13,658)	13,658	-
Shareholders' donation	-	-	6,971	-	-	-	6,971	-	6,971	3,221	10,192
Appropriation to surplus reserve	-	-	-	300,297	-	-	300,297	(300,297)	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,202,383)	(1,202,383)	(187,363)	(1,389,746)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(620,373)	(620,373)	-	(620,373)
Appropriation to general reserve	-	-	-	-	1,151,936	-	1,151,936	(1,151,936)	-	-	-
Balance at 31 December 2022	11,451,269	9,820,734	18,951,196	5,650,358	15,770,294	(559,798)	39,812,050	19,994,521	81,078,574	7,170,528	88,249,102

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Attributable to shareholders of the Bank							Total			
	Share capital Note 33	Preference shares Note 34	Reserves			Other comprehensive income	Subtotal Note 35		Retained earnings	Non- Controlling interests	Total
			Capital reserve	Surplus reserve	General reserve						
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	6,398,234	75,885,310	
Net profit for the year	-	-	-	-	-	-	-	3,175,208	601,085	3,776,293	
Other comprehensive income for the year	-	-	-	-	-	285,045	285,045	-	33,875	318,920	
Total comprehensive income	-	-	-	-	-	285,045	285,045	3,175,208	634,960	4,095,213	
Contribution of shareholders	1,643,000	-	8,019,981	-	-	-	8,019,981	-	-	9,662,981	
Transactions with non-controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	33,614	-	
Shareholders' donation	-	-	18,526	-	-	-	18,526	-	6,238	24,764	
Appropriation to surplus reserve	-	-	-	294,284	-	-	294,284	(294,284)	-	-	
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(215,084)	(2,176,738)	
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	-	(606,264)	
Appropriation to general reserve	-	-	-	-	1,674,285	-	1,674,285	(1,674,285)	-	-	
Balance at 31 December 2021	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	6,857,962	86,885,266	

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,510,348	4,457,286
Adjustments for:			
Interest income on financial investments		(7,994,144)	(6,729,577)
Interest income accrued on impaired financial assets		(260,053)	(189,040)
Interest expense on debt securities	5	3,612,228	2,746,373
Net trading gains		(514,828)	(783,342)
Net gains on disposal of financial assets at fair value through other comprehensive income		(287,340)	(338,344)
Net gains on disposal of financial assets measured at amortized cost		(222,767)	(5,588)
Net foreign exchange gains/(losses)		(491,385)	157,403
Net gains on disposal of property and equipment		(99,103)	(22,304)
Depreciation and amortization	9	714,671	877,508
Depreciation of investment properties		7,916	7,871
Interest expense on lease liabilities		46,565	53,343
Impairment losses		10,767,866	12,722,102
Others		-	1,407
		9,789,974	12,955,098
Net decrease/(increase) in operating assets:			
Balances with central bank		4,007,629	9,810,760
Deposits with banks and other financial institutions		580,929	7,519,289
Placements with banks and other financial institutions		(11,161,349)	(10,410,070)
Financial assets held under resale agreements		605,960	266,139
Loans and advances to customers		(41,109,051)	(92,710,540)
Increase in financial assets at fair value through profit or loss		21,560,463	(4,746,549)
Other assets		(79,693)	(684,539)
		(25,595,112)	(90,955,510)
Net (decrease)/increase in operating liabilities:			
Due to central bank		(4,397,596)	4,556,662
Deposits from banks and other financial institutions		(6,901,741)	(5,003,237)
Placements from banks and other financial institutions		2,011,394	(487,036)
Financial liabilities at fair value through profit or loss		(1,614)	567
Financial assets sold under repurchase agreements		6,357,340	22,289,925
Customer deposits		60,450,616	71,467,667
Other liabilities		(4,474,882)	(44,344)
		53,043,517	92,780,204
Net cash flows from operating activities before tax		37,238,379	14,779,792
Income tax paid		(2,127,122)	(2,334,748)
Net cash flows from operating activities		35,111,257	12,445,044

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December	
		2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(752,751)	(450,910)
Proceeds from disposal of property and equipment and other long-term assets		106,374	56,325
Cash paid for investments		(156,654,085)	(156,368,574)
Proceeds from sale and redemption of investments		97,980,758	105,912,196
Return on investments		9,340,021	7,224,993
Net cash flows used in investing activities		(49,979,683)	(43,625,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		–	9,662,981
Shareholders' donation		10,192	24,711
Proceeds from debt securities issued		211,797,629	169,501,311
Repayment of debt securities issued		(196,087,638)	(138,259,664)
Interest paid on debt securities		(2,775,256)	(2,598,334)
Dividends paid on ordinary shares		(1,202,383)	(1,961,654)
Dividends paid to preference shares		(620,373)	(606,264)
Net increase in operating assets		(290,621)	(305,754)
Dividends paid to non-controlling shareholders		(183,028)	(215,084)
Net cash flows from financing activities		10,648,522	35,242,249
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4,219,904)	4,061,323
Cash and cash equivalents at the beginning of the year		99,541,275	95,700,856
Effect of exchange rate changes on cash and cash equivalents		422,997	(220,904)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	95,744,368	99,541,275
Net increase/(decrease) in operating liabilities:			
Interest received		37,330,892	38,328,946
Interest paid		(18,496,133)	(15,996,383)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the “Bank”), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the “Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd.” (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the “CBRC”, which was renamed to China Banking Insurance Regulatory Commission (the “CBIRC”) in 2018), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from Guangdong Bureau of CBIRC and its business license of Unified Social Credit code No.914401017083429628 from Guangzhou Market Supervision and Administration Bureau. The registered office is located at No.9 Yingri Road, Huangpu District, Guangzhou, China.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the “Group”) conducts its operating activities in China.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currencies), granting short, medium and long-term loans (including domestic and foreign currencies), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, securities investment fund and insurance assets trusteeship, financing services, securities investment fund sales business, e-bank services, securitization of credit assets, and other financial business activities approved by the CBIRC or other relevant regulators.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on 31 March 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2022, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank’s subsidiaries as at 31 December 2022 are as follows:

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Laiwu Zhujiang County Bank Company Limited	Jinan, Shandong Province	60,000	60,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank Company Limited	Huai'an, Jiangsu Province	100,000	100,000	75.50%	75.50%	75.50%	75.50%	Banking
Jiangsu Qidong Zhujiang County Bank Company Limited	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank Company Limited	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank Company Limited	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank Company Limited	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank Company Limited (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank Company Limited	Meishan, Sichuan Province	100,000	100,000	62.50%	62.50%	70.50%	70.50%	Banking
Xinjin Zhujiang County Bank Company Limited (i)	Chengdu, Sichuan Province	100,000	100,000	35.00%	35.00%	54.00%	53.00%	Banking
Guanghan Zhujiang County Bank Company Limited (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank Company Limited	Dalian, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Jizhou Zhujiang County Bank Company Limited (i)	Ji'an, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking
Heshan Zhujiang County Bank Company Limited (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	71.00%	71.00%	Banking
Beijing Mentougou Zhujiang County Bank Company Limited (ii)	Mentougou District, Beijing	565,000	315,000	91.33%	84.44%	91.33%	84.44%	Banking
Xinyang Zhujiang County Bank Company Limited (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank Company Limited	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank Company Limited (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking
Qingdao Chengyang Zhujiang County Bank Company Limited (i)	Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank Company Limited	Suzhou, Jiangsu Province	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank Company Limited (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank Company Limited (i)	Dongfeng, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank Company Limited (i)	Xingning, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration and operation	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Shenzhen Pingshan Zhujiang County Bank Company Limited (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank Company Limited (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank Company Limited (i)	Pilot Free Trade Zone, Zhengzhou Section, Henan Province	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking
Zhuzhou Zhujiang Rural Commercial Bank Company Limited ("ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	61.00%	61.00%	Banking
Chaozhou Rural Commercial Bank Company Limited (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	74.38%	74.38%	Banking
Nanxiong Rural Commercial Bank Company Limited (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank Company Limited (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	1,373,718	50.10%	50.10%	50.10%	50.10%	Banking
Zhujiang Financial Leasing Co., Ltd.	Guangzhou, Guangdong Province	1,500,000	1,500,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

(i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and other non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank has controls over these subsidiaries.

(ii) The Bank made a RMB250,000 thousand capital contribution to Beijing Mentougou Zhujiang County Bank, which resulted the percentage of equity interests held by the bank increased from 84.44% to 91.33% as at 31 December 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and other comprehensive income that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

When the Bank has less than majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other voting right holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The Group’s voting rights and potential voting rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

The Bank re-assesses 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 described above. A change in the ownership of a subsidiary without a loss of control, is accounted for as equity transaction. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2022

On 1 January 2022, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020

Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2022 (continued)

Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The above amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to IFRS 16	Lease liability in a sale and lease back	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022 (continued)

IFRS 17

IFRS 17 was issued as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022 (continued)

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022 (continued)

Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IFRS 16

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022 (continued)

Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The Group is assessing the impact of adopting the above standards and amendments. Currently the adoption of the above is expected not to have a material impact on the Group's consolidated financial statements.

2.4 Summary of significant accounting policies

2.4.1 Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the statement of 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 a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments

2.4.2.1 Financial assets and financial liabilities

(a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. When financial assets are purchased in a regular way or sold out, they are recognised on trade-date. Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and the transfer satisfies the new financial instrument guidelines for the derecognition of financial assets. When the current obligations of financial liabilities have been discharged, the Group derecognizes the financial liabilities.

Modification of financial assets

The Group sometimes renegotiates or otherwise modifies financial assets' contract which will change the contractual cash flows of financial assets. When this happens, the Group assesses whether or not the new items are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial assets and recognises 'new' assets at fair value and remeasures a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised 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 remeasures the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is remeasured by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). In assessing whether the credit risk of the relevant financial assets has increased significantly, the Group compares the risk of default on the statement of financial position based on the changed contract terms with the risk of default based on the original contract terms at initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(a) Recognition and derecognition (continued)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(a) Recognition and derecognition (continued)

Derecognition other than on a modification (continued)

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The carrying amount of the transferred asset and associated liability is: (a) the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

(b) Classification and measurement

At initial recognition, the Group measures financial assets or financial liabilities at its fair value plus or minus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When there is a difference between the fair value and the transaction cost at the initial recognition of a financial asset or financial liability, the Group distinguishes between the following:

- (i) At initial recognition, the fair value of a financial asset or financial liability is determined based on the quotation of the same asset or liability in an active market or valuation techniques using only observable market data, the difference between the fair value and the transaction cost is recognised as a gain or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

- (ii) In the initial recognition, if the fair value of financial assets or financial liabilities is determined in other ways, the difference between the fair value and the transaction cost is deferred. After the initial recognition, the deferred difference is recognised as the gain or loss of the corresponding accounting period based on the degree of change in a factor in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

Fair value

Fair value refers to the price that a market participant can receive from selling an asset or transferring a liability in an orderly transaction that occurs on the balance sheet date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. At the time of valuation, the Group adopts valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information, and inputs that are consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. These valuation techniques maximise the use of observable market data where it is available.

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Amortized cost and effective interest rate (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Fair value through profit or loss (FVPL).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Debt instruments (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. Factors considered by the Group in determining the business model of a set of financial assets include how the cash flows of the Group were collected in the past, how the Group's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers are paid.

SPPI: 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 (the 'SPPI test'). 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 asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by expected credit losses allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains on financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss.

The Group reclassifies debt investments if and only if its business model for managing those assets changes. The reclassification takes place from the beginning of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- (ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(b) Classification and measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as Net trading gains when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the statement of profit or loss.

Financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

(d) Offset

The Group shows financial assets and financial liabilities separately in the statement of financial position and may not offset each other, except for:

- (i) The Group has a statutory right to offset the confirmed amount and the legal right is now enforceable ;
- (ii) The Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

2.4.2.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require 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 terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.2 Financial guarantee contracts and loan commitments (continued)

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss allowance (calculated as described in Note 2.4.2.1(c)); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the ECL allowance. 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.

For loan commitments and financial guarantee contracts, the ECL allowance is recognised as a provision. However, for contracts that include both a loan and an unused commitment and the Group cannot separately identify provision of unused commitment component from the loan component, the ECL on the unused commitment are recognised together with the ECL allowance for the loan. Provided that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as provisions.

2.4.3 Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

2.4.4 Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.4 Reverse repurchase and repurchase transactions (continued)

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

2.4.5 Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the actual costs of construction. These costs comprise various direct construction costs during the period of construction and other related expenditures. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortization is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 40 years	0%–5%	2.38%–9.50%
Leasehold improvements	Over the shorter of the useful economic lives and remaining lease terms		
Office equipment	3 to 5 years	0%–5%	19.00%–31.67%
Motor vehicles	3 to 5 years	0%–5%	19.00%–31.67%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.5 Property and equipment (continued)

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

2.4.6 Land use rights

Land use rights are right-of-use assets and are recognised at cost, which is the consideration paid. The rights are amortized using the straight-line basis over the period of the leases.

2.4.7 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at the lower of their carrying amount and fair value less costs to sell, at the end of each reporting period. When the fair value less costs to sell is lower than a foreclosed asset's carrying amount, an impairment loss is recognised in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated statements of profit or loss in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.4.8 Intangible assets (other than goodwill)

The Group's intangible assets mainly comprise computer software.

Intangible assets are initially measured at cost and recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. Otherwise, they are recognised in the statement of profit or loss in the period in which they occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.8 Intangible assets (other than goodwill) (continued)

Upon an intangible asset becoming ready for its intended use, the costs less estimated residual value and any impairment losses are amortized over its estimated useful life on the straight-line basis.

The useful lives of the Group's intangible assets are from 2 years to 10 years. The amortization rates of the Group's intangible assets are between 10% and 50%.

The useful life and the amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is adjusted accordingly as change of accounting estimate.

2.4.9 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group mainly include leased buildings.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method.

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 20 years	5%	4.75%–9.50%

2.4.10 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.10 Business combination and goodwill (continued)

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.4.12 Asset impairment

Impairment losses on assets except for deferred tax assets and financial assets are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. After such a reversal, the depreciation/amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.13 Cash and cash equivalents

Cash and cash equivalents refer to short-term 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 comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions, financial assets held under resale agreements and debt securities with original maturity of less than three months.

2.4.14 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of each year is significant, the Group will present them at their present value.

(a) Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Group participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies under the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees provide their services to the Group. Contributions to these plans are recognised in the statement of profit or loss as incurred.

(b) Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.14 Employee benefits (continued)

(c) Supplemental retirement benefits

The Group pays supplemental retirement benefits to the retirees, including supplemental pension payments and medical expense coverage. The liability related to the supplemental retirement benefit obligations as at each financial reporting date is calculated by the Group using the projected unit credit method and is recorded as a liability under "Employee benefit obligations" in the statement of financial position. The present value of the liability is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefits are recognised in "Other comprehensive income" in the period when they occur. The gains or losses arising from amendments to supplemental retirement benefit obligations are recognised in the statement of profit or loss in the period when they occur.

(d) Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the statement of profit or loss as they occur.

2.4.15 Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.15 *Fiduciary activities (continued)*

The Group grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The risk of loss is borne by those trustors. The Group charges a commission related to its activities in connection with entrusted loans which is recognised ratably over the period in which the service is provided.

2.4.16 *Recognition of income and expense*

(a) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets measured at amortized cost or fair value through other comprehensive income, except for:

- POCI financial assets, for which the original credit adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'Stage III'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.16 Recognition of income and expense (continued)

(b) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The Group recognizes revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (thus the customer obtains control of that good or service).

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(d) *Net trading income*

Net trading income arising from trading activities include gains and losses from changes in fair value for financial assets at fair value through profit or loss.

2.4.17 Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each year.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.17 Income tax (continued)

(b) Deferred tax (continued)

- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

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 income will be available to allow all or part of the deferred tax assets to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.4.19 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.19 Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4.20 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 that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.21 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Group. Dividends for the years ended 2022 and 2021 approved after the end of the year are disclosed as a post year-end event after the year. As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

2.4.22 Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Examples of structured entities include asset-backed securities, funds, wealth management products, trust plans and asset management plans. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products managed by the Group and the structured entities invested by the Group (Note 39).

2.4.23 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives the grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives the grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. If the fair value cannot be measured reliably, the grants are recorded at the nominal amount of the non-monetary assets. When the grant relates to an expense item, where the grant is intended to compensate the expenses or costs to be incurred in the subsequent period, it is recognised as deferred income and is released to the statement of profit or loss over the periods that the costs, which it is intended to compensate, are expensed; while where the grant is intended to compensate the incurred expenses or costs, the grant is recognised in the statement of profit or loss in the current period. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments. Grants recorded at nominal amount shall be recognised in the statement of profit or loss in the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.24 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Changes in accounting estimates

The Group conducted a review of the useful life of its existing assets taking into account the current state of use, restrictions of rights, business needs, technological trends and maintenance. Pursuant to the review result, since 1 January 2022, the Group adjusted the estimated useful life of properties and buildings so as to fairly reflect the actual condition of the Group's assets and to improve the quality of accounting information.

In previous years, the Group depreciated properties and buildings by 10 years to 20 years. Since 1 January 2022, the Group adjusted the range of the depreciation term of the properties and buildings to 10 years to 40 years. The Group will apply this change in accounting estimate prospectively.

The aforesaid changes resulted in a decrease of depreciation expense by RMB94,128 thousand for the year ended 31 December 2022.

3.2 Expected credit losses measurement

The measurement of the expected credit losses allowance for financial assets measured at amortized cost and FVOCI, financial guarantee contracts and loan commitments is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers' defaulting and the resulting losses).

The measurement models of expected credit losses involves significant management estimations and judgments, primarily including the followings:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Expected credit losses measurement (continued)

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III.

3.3 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. These valuation techniques include the use of observable inputs and data with consistent characteristics of assets or liabilities in the transaction of related assets or liabilities. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates, commodity price and implied option volatilities, are prioritized to use when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using unobservable inputs and data, such as assumption on the credit risk, volatilities and credit of the counterparty. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues arising from new tax regulations or other uncertain tax arrangements based on estimates of whether additional taxes will be due. The deductibility of certain items is subject to tax authority's final approval. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income taxes and levies and/or deferred tax provisions in the period in which such determination is made.

3.5 Early retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities of early retirement benefits and supplementary retirement benefits shall be determined based on various assumptions. These assumptions include the discount rate, the growth rate of average medical expenses, the growth rate of benefits for retirees and other factors. Although the management believes that the assumptions which have been adopted are reasonable, the actual empirical values and the changes in the assumptions will still affect the costs and liabilities of the early retirement benefits and supplementary retirement benefits of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.6 Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the "CGU"), or groups of CGUs. The Group forecasts future cash flow of the CGU and CGUs, and applies appropriate discount rate for the calculation of the present value of future cash flow.

3.7 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgment on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

4 OPERATING SEGMENT INFORMATION

4.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary trading and agent services including money market placements, investments, repurchases and foreign exchange transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2022					
Interest income	24,372,436	9,225,730	10,220,233	-	43,818,399
Interest expense	(8,475,493)	(10,207,465)	(6,553,425)	-	(25,236,383)
Inter-segments interest (expense)/income	(5,389,851)	9,216,247	(3,826,396)	-	-
Net interest income	10,507,092	8,234,512	(159,588)	-	18,582,016
Fee and commission income	895,114	562,907	239,743	-	1,697,764
Fee and commission expense	(149,089)	(133,753)	(32,834)	-	(315,676)
Net fee and commission income	746,025	429,154	206,909	-	1,382,088
Net trading gains	-	-	1,077,380	-	1,077,380
Net gains on disposal of financial assets at fair value through other comprehensive income	-	-	287,340	-	287,340
Net gains on disposal of financial assets measured at amortized cost	-	-	222,767	-	222,767
Other income, gains or losses	196,127	268,604	24,223	504,103	993,057
Operating income	11,449,244	8,932,270	1,659,031	504,103	22,544,648
Operating expenses	(2,446,277)	(4,268,483)	(432,722)	(198,699)	(7,346,181)
Credit impairment losses	(7,217,271)	(2,382,033)	(852,582)	(174,114)	(10,626,000)
Impairment losses on other assets	(42,192)	(13,925)	(4,984)	(1,018)	(62,119)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Profit before tax	1,743,504	2,267,829	368,743	130,272	4,510,348
Income tax expense					(472,572)
Profit for the year					4,037,776
Other segment information:					
Depreciation and amortization	234,893	425,566	38,268	15,944	714,671
Capital expenditure	247,747	443,789	44,954	16,261	752,751
As at 31 December 2022					
Segment assets	416,687,961	171,806,554	625,878,049	8,657,252	1,223,029,816
Segment liabilities	(400,846,845)	(542,128,185)	(201,765,197)	(465,122)	(1,145,205,349)
Other segment information:					
Credit commitments	200,496,618	34,870,599	-	-	235,367,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

Others (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2021					
Interest income	22,636,704	9,884,317	10,044,930	–	42,565,951
Interest expense	(7,910,309)	(8,972,280)	(6,124,206)	–	(23,006,795)
Inter-segments interest (expense)/income	(3,761,193)	6,268,100	(2,506,907)	–	–
Net interest income	10,965,202	7,180,137	1,413,817	–	19,559,156
Fee and commission income	950,170	565,438	124,302	–	1,639,910
Fee and commission expense	(151,807)	(150,595)	(18,441)	–	(320,843)
Net fee and commission income	798,363	414,843	105,861	–	1,319,067
Net trading gains	–	–	2,042,793	–	2,042,793
Net gains on disposal of financial assets at fair value through other comprehensive income	–	–	338,344	–	338,344
Net gains on disposal of financial assets measured at amortized cost	–	–	5,588	–	5,588
Other income, gains or losses	(158,391)	(2,952)	(181)	377,108	215,584
Operating income	11,605,174	7,592,028	3,906,222	377,108	23,480,532
Operating expenses	(2,106,988)	(3,658,692)	(458,270)	(196,317)	(6,420,267)
Credit impairment losses	(6,636,830)	(1,596,991)	(4,211,444)	(94,902)	(12,540,167)
Impairment losses on other assets	(33,243)	(7,999)	(21,095)	(475)	(62,812)
Profit before tax	2,828,113	2,328,346	(784,587)	85,414	4,457,286
Income tax expense					(680,993)
Profit for the year					3,776,293
Other segment information:					
Depreciation and amortization	289,212	516,640	59,348	20,179	885,379
Capital expenditure	110,130	209,334	20,363	6,775	346,602
As at 31 December 2021					
Segment assets	386,909,318	165,865,349	594,074,328	14,779,631	1,161,628,626
Segment liabilities	(402,671,005)	(480,796,181)	(190,799,901)	(476,273)	(1,074,743,360)
Other segment information:					
Credit commitments	184,804,846	34,755,253	–	–	219,560,099

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.2 Geographic information

The Bank mainly operates in Guangdong Province, China. The major customers and non-current assets are located in Guangdong Province, China.

5 NET INTEREST INCOME

	Year ended 31 December	
	2022	2021
Interest income		
Loans and advances to customers	32,739,728	32,481,755
Financial investments	7,994,144	6,729,577
– Financial assets at amortized cost	6,156,450	4,425,668
– Financial assets at fair value through other comprehensive income	1,837,694	2,303,909
Financial assets held under resale agreements	841,160	919,818
Due from central bank	911,389	1,102,134
Deposits with banks and other financial institutions	1,331,978	1,332,667
Subtotal	43,818,399	42,565,951
Interest expense		
Customer deposits	(19,078,188)	(17,760,620)
Debt securities issued	(3,612,228)	(2,746,373)
Deposits from banks and other financial institutions	(930,049)	(1,250,124)
Borrowings from other banks (i)	(485,107)	(427,705)
Due to central bank	(763,331)	(425,552)
Financial assets sold under repurchase agreements	(320,915)	(343,078)
Lease liabilities	(46,565)	(53,343)
Subtotal	(25,236,383)	(23,006,795)
Net interest income	18,582,016	19,559,156
Including:		
Interest income accrued on impaired financial assets	260,053	189,040

- (i) The interest expenses for the long-term and short-term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

6 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2022	2021
Fee and commission income:		
Agency and custodian service fees	375,119	347,514
Syndicated loan fees	305,141	292,391
Wealth management products related fee income	239,341	124,290
Bank card fees	197,325	232,322
Settlement and electronic channel business fees	175,522	181,997
Guarantee and commitment service fees	143,190	191,620
Financial lease business fees	118,871	77,767
Advisory and consultancy fees	16,032	44,563
Foreign exchange business fees	1,995	16,837
Others	125,228	130,609
Subtotal	1,697,764	1,639,910
Fee and commission expense:		
Bank card fees	(63,051)	(71,796)
Settlement and electronic channel business fees	(31,326)	(23,968)
Others	(221,299)	(225,079)
Subtotal	(315,676)	(320,843)
Net fee and commission income:	1,382,088	1,319,067

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

7 NET TRADING GAINS

	Year ended 31 December	
	2022	2021
Debt securities:		
Unrealised losses from debt securities	(1,198,477)	(807,828)
Realised gains from debt securities	1,342,072	2,151,197
Subtotal	143,595	1,343,369
Funds:		
Unrealised (losses)/gains from funds	(37,712)	54,142
Realised gains from funds	969,244	642,931
Subtotal	931,532	697,073
Others	2,253	2,351
Total	1,077,380	2,042,793

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

8 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2022	2021
Government grants and subsidies	319,087	296,303
Net foreign exchange gains/(losses)	491,385	(157,403)
Net gains on disposal of property and equipment	132,806	25,954
Others	49,779	50,730
Total	993,057	215,584

9 OPERATING EXPENSES

	Year ended 31 December	
	2022	2021
Staff costs (i)	4,855,350	3,942,372
Depreciation and amortization	714,671	877,508
Tax and surcharges	272,849	296,879
Advertising and promotional expenses	254,543	271,991
Currency Delivery fees	142,578	124,859
Labor dispatch fees	64,552	50,556
Consulting fees	35,636	25,377
Professional service fees	20,201	20,852
Others	985,801	809,873
Total	7,346,181	6,420,267

(i) Staff costs

	Year ended 31 December	
	2022	2021
Salaries, bonuses and allowances (include early retirement)	3,323,756	2,507,314
Social insurance, employee benefits and others	1,436,226	1,240,930
Benefits for supplemental retirement	95,368	194,128
Total	4,855,350	3,942,372

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended 31 December 2022				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Chairman					
Cai Jian (i)	–	776	171	138	1,085
Vice Chairman					
Yi Xuefei	–	776	171	138	1,085
Independent Directors					
Zhang Hua (iii)	386	–	–	–	386
Liao Wenyi (ii)	385	–	–	–	385
Tan Jinsong (iii)	302	–	–	–	302
Ma Xueming (ii)	302	–	–	–	302
Du Jinmin (iii)	267	–	–	–	267
Zhang Weiguo (iv)	83	–	–	–	83
Directors					
Zhang Jian (vii)	–	349	84	65	498
Zhang Junzhou (vi)	152	–	–	–	152
Zhuang Yuemin(vi)	151	–	–	–	151
Feng Yaoliang (vi)	129	–	–	–	129
Lai Zhiguang (vi)	129	–	–	–	129
Feng Kaiyun (vi)	123	–	–	–	123
Da Hengcheng (v)	40	–	–	–	40
Zuo Liang (vi)	–	–	–	–	–
Chairman of the Board of Supervisors					
Wang Xigui (viii)	–	698	171	138	1,007
Supervisors					
He Heng (viii)	–	1,144	217	138	1,499
Lai Jiaxiong (viii)	–	1,072	228	138	1,438
Liang Bingtian (x)	140	–	–	–	140
Feng Jintang (x)	125	–	–	–	125
Chen Jianliang (ix)	73	–	–	–	73
Zhang Gang (xi)	12	–	–	–	12
External Supervisors					
Shi Shuiping (xii)	156	–	–	–	156
Han Zhenping (xii)	137	–	–	–	137
Huang Tianshun (xiii)	50	–	–	–	50
Zhan Liyuan(xiv)	39	–	–	–	39
Total	3,181	4,815	1,042	755	9,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2021				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Chairman					
Cai Jian (i)	–	853	108	148	1,109
Vice Chairman					
Yi Xuefei	–	853	108	148	1,109
Independent Directors					
Zhang Hua (iii)	370	–	–	–	370
Liao Wenyi (ii)	296	–	–	–	296
Tan Jinsong (iii)	276	–	–	–	276
Du Jinmin (iii)	255	–	–	–	255
Ma Xueming (ii)	196	–	–	–	196
Song Guanghui (xv)	39	–	–	–	39
Liu Heng (xv)	39	–	–	–	39
Zheng Jianbiao (xv)	29	–	–	–	29
Liu Shaobo (xv)	29	–	–	–	29
Directors					
Zhang Jian (vii)	–	810	107	148	1,065
Zhuang Yuemin (vi)	137	–	–	–	137
Zhang Junzhou (vi)	122	–	–	–	122
Feng Yaoliang (vi)	118	–	–	–	118
Lai Zhiguang (vi)	110	–	–	–	110
Feng Kaiyun (vi)	104	–	–	–	104
Yuan Xiaoyi (xvi)	55	–	–	–	55
Zhu Kelin (xv)	15	–	–	–	15
Su Zhigang (xv)	10	–	–	–	10
Liu Guojie (xv)	10	–	–	–	10
Chairman of the Board of Supervisors					
Wang Xigui (viii)	–	810	107	148	1,065
Supervisors					
He Heng (viii)	–	1,698	108	146	1,952
Lai Jiaxiong (viii)	–	1,486	108	148	1,742
Feng Jintang (x)	119	–	–	–	119
Liang Bingtian (x)	110	–	–	–	110
Zhang Gang (xi)	101	–	–	–	101
Huang Yong (xvii)	12	–	–	–	12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2021				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
External Supervisors					
Shi Shuiping (xii)	128	–	–	–	128
Zhan Liyuan (xiv)	107	–	–	–	107
Han Zhenping (xii)	104	–	–	–	104
Mao Yunshi (xvii)	15	–	–	–	15
Shao Baohua (xvii)	10	–	–	–	10
Chen Dan (xvii)	10	–	–	–	10
Total	2,926	6,510	646	886	10,968

- (i) Cai Jian was appointed as the Chairman of the Bank on 30 March 2021.
- (ii) Liao Wenyi and Ma Xueming were appointed as independent directors of the Bank on 29 July 2021.
- (iii) Du Jinmin, Tan Jinsong and Zhang Hua were appointed as independent directors of the Bank on 18 March 2021.
- (iv) Zhang Weiguo was appointed as independent director of the Bank on 27 September 2022.
- (v) Da Hengcheng was appointed as director of the Bank on 27 September 2022.
- (vi) Feng Kaiyun, Zuo Liang, Zhang Junzhou, Zhuang Yuemin, Feng Yaoliang and Lai Zhiguang were appointed as directors of the Bank on 18 March 2021. Zuo Liang voluntarily gives up receiving remuneration.
- (vii) Zhang Jian ceased to act as director of the Bank in August 2022.
- (viii) Wang Xigui was appointed as chief supervisor, He Heng and Lai Jiexiong were appointed as supervisors on 25 February 2021.
- (ix) Chen Jianliang was appointed as supervisor of the Bank on 16 June 2022.
- (x) Liang Bingtian and Feng Jintang were appointed as supervisors of the Bank on 23 February 2021.
- (xi) Zhang Gang ceased to act as supervisor of the Bank on 10 March 2022.
- (xii) Han Zhenping and Shi Shuiping were appointed as external supervisors of the Bank on 23 February 2021.
- (xiii) Huang Tianshun was appointed as external supervisor of the Bank on 19 August 2022.
- (xiv) Zhan Liyuan ceased to act as external supervisor of the Bank on 19 May 2022.
- (xv) Song Guanghui, Liu Heng, Zheng Jianbiao, Liu Shaobo, Zhu Kelin, Su Zhigang and Liu Guojie ceased to act as the directors of the Bank from 18 March 2021.
- (xvi) Yuan Xiaoyi was appointed as director of the Bank on 18 March 2021 and ceased to act as director of the Bank on 10 September 2021.
- (xvii) Huang Yong, Mao Yunshi, Shao Baohua and Chen Dan ceased to act as supervisors of the Bank from 23 February 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

For the year ended 31 December 2022, the five highest paid individuals of the Group comprised no directors nor supervisors. (31 December 2021: no directors nor supervisors).

The emoluments of the five highest paid individuals for the years are as follows:

	Year ended 31 December	
	2022	2021
Basic salaries, housing allowances, share options, other allowances and benefits in kind	8,517	11,128
Contribution to pension scheme	690	693
Discretionary bonuses	–	–
Inducement fee to join or upon joining the Group	–	–
Compensation for loss of office:	–	–
– contractual payments	–	–
– other payment	–	–
Total	9,207	11,821

	Number of Individuals	
	Year ended 31 December	
	2022	2021
RMB500,001 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	5	–
RMB2,000,001 – RMB2,500,000	–	4
RMB2,500,001 – RMB3,000,000	–	1
Total	5	5

For the years ended 31 December 2022 and 2021, no emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

11 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Loans and advances to customers		
– Loans and advances to customers at amortized cost	9,492,957	8,307,154
– Impairment gains on assets (i)	(79,747)	(119,123)
– Loans and advances to customers at fair value through other comprehensive income	33,128	12,275
Financial investments	917,572	1,260,759
Off-balance sheet activities	(45,177)	3,042,267
Deposits with banks and other financial institutions	(3,606)	(179)
Placements with banks and other financial institutions	168,493	10,702
Others	142,380	26,312
Total	10,626,000	12,540,167

- (i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
Current income tax	3,014,123	1,759,237
Deferred income tax	(2,541,551)	(1,078,244)
Total	472,572	680,993

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

12 INCOME TAX EXPENSE (CONTINUED)

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	4,510,348	4,457,286
Tax calculated at a tax rate of 25%	1,127,587	1,114,322
Difference in preferential tax rates	–	(3,111)
Tax effect arising from income not subject to tax (i)	(1,198,337)	(765,575)
Tax effect of expenses that are not deductible for tax purposes (ii)	120,939	78,168
Adjustments on income tax for prior years which affect current profit or loss	422,383	257,189
Income tax expense	472,572	680,993

- (i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.
- (ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which are in excess of deductible limits for tax purposes according to PRC tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

13 DIVIDENDS

	Year ended 31 December	
	2022	2021
Dividends on ordinary shares declared and paid: Dividend per share (in RMB yuan)	1,202,383 0.105	1,961,654 0.200
Dividends on preference shares declared	620,373	606,264

(a) Distribution of final dividend for 2021

A cash dividend of RMB0.105 per ordinary share related to 2021, amounting to RMB1,202,383 thousand in total was approved in the annual general meeting held on 16 June 2022.

The above dividend was recognized as distribution and paid during the year ended 31 December 2022.

(b) Distribution of preference dividend

A cash dividend for preference shares, amounting to RMB620,373 thousand in total was approved by the board of directors on 27 April 2022.

The above dividend was recognized as distribution and paid during the year ended 31 December 2022.

14 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding in issue during the years.

	Year ended 31 December	
	2022	2021
Net profit attributable to ordinary shareholders of the Bank (in RMB thousand)	3,492,159	3,175,208
Less: Distribution for the year attributable to preference shareholders of the Bank	(620,373)	(606,264)
Net profit for the year attributable to ordinary shareholders of the Bank	2,871,786	2,568,944
Divided: Weighted average number of ordinary shares in issue (in thousand)	11,451,269	9,858,855
Basic and diluted earnings per share (in RMB yuan)	0.25	0.26

During the years 2022 and 2021, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur in the year ended 31 December 2022, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

15 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 31 December	
	2022	2021
Cash on hand	3,319,321	3,760,436
Mandatory reserves with central bank (a)	50,461,796	54,400,714
Surplus reserves with central bank (b)	33,313,335	27,873,445
Fiscal deposits with central bank	161,683	230,394
Subtotal	87,256,135	86,264,989
Less:		
ECL allowance	–	–
Total	87,256,135	86,264,989

(a) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2022, the ratio of the Bank for RMB deposits statutory reserve was 5.75% (31 December 2021: 6.50%), and different ratios are applicable to the subsidiaries based on their respective locations. The ratio for foreign currency deposits was 6.00% (31 December 2021: 9.00%). The reserves for RMB is interest bearing based on the rules of the PBOC.

(b) Surplus reserves are mainly for settlement purpose.

16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits with banks operating in Mainland China	5,770,750	13,021,140
Deposits with other financial institutions operating in Mainland China	1,113,874	1,101,759
Deposits with banks operating outside Mainland China	880,322	6,135,895
Interest receivable	23,197	43,727
Subtotal	7,788,143	20,302,521
Less:		
ECL allowance	(23,505)	(27,111)
Total	7,764,638	20,275,410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

17 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements with banks operating in Mainland China	69,646	837,096
Placements with other financial institutions operating in Mainland China	42,713,170	29,692,170
Placements with banks operating outside Mainland China	1,097,980	3,667,892
Interest receivable	50,954	49,033
Subtotal	43,931,750	34,246,191
Less: ECL allowance	(462,780)	(294,287)
Total	43,468,970	33,951,904

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2022	2021
Securities purchased under resale agreements	57,422,440	53,004,710
Interest receivable	51,893	44,350
Subtotal	57,474,333	53,049,060
Less: ECL allowance	–	–
Total	57,474,333	53,049,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 31 December	
	2022	2021
Loans and advances at amortised cost		
Corporate loans and advances		
– Corporate loans	440,584,663	407,026,690
– Discounted bills	135,146	444,538
	440,719,809	407,471,228
Personal loans and advances		
– Personal residential mortgages	73,570,722	73,343,811
– Personal business loans	71,236,817	65,285,621
– Personal consumption loans	10,999,736	10,051,295
– Credit cards overdraft	10,151,434	9,748,738
	165,958,709	158,429,465
Gross amount of loans and advances at amortised cost	606,678,518	565,900,693
Less: ECL allowance of loans and advances at amortised cost	(22,854,050)	(20,109,119)
Net amount of loans and advances at amortised cost	583,824,468	545,791,574
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills	85,293,398	91,762,237
Net amount of loans and advance to customers	669,117,866	637,553,811

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance

	As at 31 December 2022				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	350,516,713	56,777,954	33,397,720	27,422	440,719,809
Personal loans	160,772,179	2,463,720	2,660,938	61,872	165,958,709
	511,288,892	59,241,674	36,058,658	89,294	606,678,518
Less: ECL allowance					
– Corporate loans	(3,259,927)	(4,160,147)	(11,612,443)	(1,131)	(19,033,648)
– Personal loans	(1,445,468)	(536,168)	(1,838,282)	(484)	(3,820,402)
	(4,705,395)	(4,696,315)	(13,450,725)	(1,615)	(22,854,050)
Net amount of loans and advances to customers	506,583,497	54,545,359	22,607,933	87,679	583,824,468
Gross amount of loans and advances at fair value through other comprehensive income	85,293,398	–	–	–	85,293,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance (continued)

	As at 31 December 2021				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	338,827,887	42,298,823	26,315,208	29,310	407,471,228
Personal loans	154,981,805	1,865,832	1,513,970	67,858	158,429,465
	493,809,692	44,164,655	27,829,178	97,168	565,900,693
Less: ECL allowance					
– Corporate loans	(2,845,586)	(3,644,029)	(10,057,799)	(914)	(16,548,328)
– Personal loans	(1,702,298)	(613,434)	(1,244,546)	(513)	(3,560,791)
	(4,547,884)	(4,257,463)	(11,302,345)	(1,427)	(20,109,119)
Net amount of loans and advances to customers	489,261,808	39,907,192	16,526,833	95,741	545,791,574
Gross amount of loans and advances at fair value through other comprehensive income	91,762,237	–	–	–	91,762,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance

Movements in ECL allowance on loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2022	2,845,586	3,644,029	10,057,799	914	16,548,328
Originated or purchased	1,652,874	-	-	-	1,652,874
Derecognition or settlements	(980,478)	(321,837)	(140,134)	-	(1,442,449)
Remeasurement					
– Parameter changes	405,264	114,098	3,425,090	217	3,944,669
– Stage transfer	(89)	1,350,110	3,585,683	-	4,935,704
Write-offs or disposals	-	-	(6,352,287)	-	(6,352,287)
Transfers	(663,230)	(626,253)	1,289,483	-	-
Transfer from Stage I to Stage II	(495,053)	495,053	-	-	-
Transfer from Stage I to Stage III	(168,281)	-	168,281	-	-
Transfer from Stage II to Stage I	104	(104)	-	-	-
Transfer from Stage II to Stage III	-	(1,121,202)	1,121,202	-	-
Transfer from Stage III to Stage II	-	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Others	-	-	(253,191)	-	(253,191)
ECL allowance as at 31 December 2022	3,259,927	4,160,147	11,612,443	1,131	19,033,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Corporate loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
ECL allowance as at 1 January 2021	1,471,346	3,703,951	6,394,640	1,972	11,571,909
Originated or purchased	1,825,404	–	–	–	1,825,404
Derecognition or settlements	(925,681)	(380,176)	(602,896)	–	(1,908,753)
Remeasurement					
– Parameter changes	761,934	(607,439)	1,254,800	(1,058)	1,408,237
– Stage transfer	(239,830)	1,897,402	5,747,183	–	7,404,755
Write-offs or disposals	–	–	(3,564,329)	–	(3,564,329)
Transfers	(47,587)	(969,709)	1,017,296	–	–
Transfer from Stage I to Stage II	(163,606)	163,606	–	–	–
Transfer from Stage I to Stage III	(175,912)	–	175,912	–	–
Transfer from Stage II to Stage I	291,931	(291,931)	–	–	–
Transfer from Stage II to Stage III	–	(1,116,230)	1,116,230	–	–
Transfer from Stage III to Stage II	–	274,846	(274,846)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(188,895)	–	(188,895)
ECL allowance as at 31 December 2021	2,845,586	3,644,029	10,057,799	914	16,548,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2022	1,702,298	613,434	1,244,546	513	3,560,791
Originated or purchased	700,272	–	–	–	700,272
Derecognition or settlements	(587,108)	(201,646)	(210,814)	–	(999,568)
Remeasurement					
– Parameter changes	(254,094)	(56,154)	133,759	(29)	(176,518)
– Stage transfer	(132,004)	399,019	1,037,524	–	1,304,539
Write-offs or disposals	–	–	(562,252)	–	(562,252)
Transfers	16,104	(218,485)	202,381	–	–
Transfer from Stage I to Stage II	(45,131)	45,131	–	–	–
Transfer from Stage I to Stage III	(80,417)	–	80,417	–	–
Transfer from Stage II to Stage I	112,851	(112,851)	–	–	–
Transfer from Stage II to Stage III	–	(178,189)	178,189	–	–
Transfer from Stage III to Stage II	–	27,424	(27,424)	–	–
Transfer from Stage III to Stage I	28,801	–	(28,801)	–	–
Others	–	–	(6,862)	–	(6,862)
ECL allowance as at 31 December 2022	1,445,468	536,168	1,838,282	484	3,820,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2021	2,113,122	809,623	1,261,541	1,635	4,185,921
Originated or purchased	726,865	–	–	–	726,865
Derecognition or settlements	(926,128)	(259,718)	(154,439)	–	(1,340,285)
Remeasurement					
– Parameter changes	(179,748)	(107,026)	369,193	(1,122)	81,297
– Stage transfer	(180,258)	486,970	653,289	–	960,001
Write-offs or disposals	–	–	(1,052,863)	–	(1,052,863)
Transfers	148,445	(316,415)	167,970	–	–
Transfer from Stage I to Stage II	(26,733)	26,733	–	–	–
Transfer from Stage I to Stage III	(17,453)	–	17,453	–	–
Transfer from Stage II to Stage I	176,355	(176,355)	–	–	–
Transfer from Stage II to Stage III	–	(174,418)	174,418	–	–
Transfer from Stage III to Stage II	–	7,625	(7,625)	–	–
Transfer from Stage III to Stage I	16,276	–	(16,276)	–	–
Others	–	–	(145)	–	(145)
ECL allowance as at 31 December 2021	1,702,298	613,434	1,244,546	513	3,560,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2022	19,601	-	-	19,601
Originated or purchased	52,729	-	-	52,729
Derecognition or settlements	(19,601)	-	-	(19,601)
Remeasurement				
– Parameter changes	-	-	-	-
Write-offs or disposals	-	-	-	-
Transfers	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2022	52,729	-	-	52,729

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	7,326	–	200,000	207,326
Originated or purchased	19,601	–	–	19,601
Derecognition or settlements	(7,326)	–	–	(7,326)
Remeasurement				
– Parameter changes	–	–	–	–
Write-offs or disposals	–	–	(200,000)	(200,000)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	19,601	–	–	19,601

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2022	338,827,887	42,298,823	26,315,208	29,310	407,471,228
Originated or purchased	168,019,315	-	-	-	168,019,315
Derecognition	(124,513,734)	(2,313,315)	(1,589,510)	(1,888)	(128,418,447)
Write-offs or disposals	-	-	(6,352,287)	-	(6,352,287)
Transfers	(31,816,755)	16,792,446	15,024,309	-	-
Transfer from Stage I to Stage II	(24,418,753)	24,418,753	-	-	-
Transfer from Stage I to Stage III	(7,399,234)	-	7,399,234	-	-
Transfer from Stage II to Stage I	1,232	(1,232)	-	-	-
Transfer from Stage II to Stage III	-	(7,625,075)	7,625,075	-	-
Transfer from Stage III to Stage II	-	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Gross carrying amounts as at 31 December 2022	350,516,713	56,777,954	33,397,720	27,422	440,719,809

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Corporate loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January					
2021	328,752,179	36,833,763	15,959,024	180,751	381,725,717
Originated or purchased	177,104,021	–	–	–	177,104,021
Derecognition	(142,581,611)	(3,698,157)	(1,362,972)	(151,441)	(147,794,181)
Write-offs or disposals	–	–	(3,564,329)	–	(3,564,329)
Transfers	(24,446,702)	9,163,217	15,283,485	–	–
Transfer from Stage I to Stage II	(22,897,341)	22,897,341	–	–	–
Transfer from Stage I to Stage III	(7,190,054)	–	7,190,054	–	–
Transfer from Stage II to Stage I	5,640,693	(5,640,693)	–	–	–
Transfer from Stage II to Stage III	–	(8,756,397)	8,756,397	–	–
Transfer from Stage III to Stage II	–	662,966	(662,966)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Gross carrying amounts as at 31 December 2021	338,827,887	42,298,823	26,315,208	29,310	407,471,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2022	154,981,805	1,865,832	1,513,970	67,858	158,429,465
Originated or purchased	65,441,433	–	–	–	65,441,433
Derecognition	(56,370,799)	(691,398)	(281,754)	(5,986)	(57,349,937)
Write-offs or disposals	–	–	(562,252)	–	(562,252)
Transfers	(3,280,260)	1,289,286	1,990,974	–	–
Transfer from Stage I to Stage II	(2,018,891)	2,018,891	–	–	–
Transfer from Stage I to Stage III	(1,605,014)	–	1,605,014	–	–
Transfer from Stage II to Stage I	304,630	(304,630)	–	–	–
Transfer from Stage II to Stage III	–	(470,254)	470,254	–	–
Transfer from Stage III to Stage II	–	45,279	(45,279)	–	–
Transfer from Stage III to Stage I	39,015	–	(39,015)	–	–
Gross carrying amounts as at 31 December 2022	160,772,179	2,463,720	2,660,938	61,872	165,958,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at					
1 January 2021	137,049,272	1,698,253	1,468,787	115,489	140,331,801
Originated or purchased	72,181,137	–	–	–	72,181,137
Derecognition	(52,082,681)	(700,940)	(199,358)	(47,631)	(53,030,610)
Write-offs or disposals	–	–	(1,052,863)	–	(1,052,863)
Transfers	(2,165,923)	868,519	1,297,404	–	–
Transfer from Stage I to Stage II	(1,689,000)	1,689,000	–	–	–
Transfer from Stage I to Stage III	(878,825)	–	878,825	–	–
Transfer from Stage II to Stage I	374,042	(374,042)	–	–	–
Transfer from Stage II to Stage III	–	(461,036)	461,036	–	–
Transfer from Stage III to Stage II	–	14,597	(14,597)	–	–
Transfer from Stage III to Stage I	27,860	–	(27,860)	–	–
Gross carrying amounts as at					
31 December 2021	154,981,805	1,865,832	1,513,970	67,858	158,429,465

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2022	91,762,237	-	-	91,762,237
Originated or purchased	85,293,398	-	-	85,293,398
Derecognition	(91,762,237)	-	-	(91,762,237)
Write-offs or disposals	-	-	-	-
Transfers	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
Gross carrying amounts as at 31 December 2022	85,293,398	-	-	85,293,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	46,868,652	–	–	46,868,652
Originated or purchased	91,762,237	–	–	91,762,237
Derecognition	(46,868,652)	–	–	(46,868,652)
Write-offs or disposals	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at 31 December 2021	91,762,237	–	–	91,762,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
Government bonds	7,069,111	27,346,564
Bonds issued by policy banks	6,257,656	9,738,005
Bonds issued by financial institutions	1,038,337	1,047,417
Certificates of deposit issued by other financial institutions	1,548,552	6,389
Assets backed securities issued by other banks and non-bank financial institutions	38,874	1,363,585
Corporate bonds	4,796,312	3,781,783
Trust and asset management plans	5,263,008	4,819,958
Fund and other investments	55,647,343	42,891,160
Interest receivable	315,335	633,702
Total	81,974,528	91,628,563

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2022	2021
Government bonds	23,900,300	21,572,767
Bonds issued by policy banks	35,726,694	26,041,193
Bonds issued by financial institutions	1,186,940	443,258
Assets backed securities issued by other banks and non-bank financial institutions	81,257	1,888,592
Corporate bonds	2,013,825	5,894,778
Certificates of deposit issued by other financial institutions	1,791,148	2,386,467
Trust and asset management plans (i)	5,010,522	5,789,631
Interest receivable	1,234,569	1,188,563
Total	70,945,255	65,205,249

- (i) Trust and asset management plans as at 31 December 2022 were invested in credit assets, and mainly in stage 2 or stage 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2022	39,706	233,485	2,047,836	2,321,027
Originated or purchased	1,803	–	–	1,803
Derecognition or settlements	(24,974)	(217)	(70,947)	(96,138)
Remeasurement				
– Parameter changes	(14,091)	(160,661)	295,279	120,527
– Stage transfer	–	–	–	–
Write-offs or disposals	–	–	(113,689)	(113,689)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2022	2,444	72,607	2,158,479	2,233,530

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows (continued):

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	35,013	483,019	1,265,291	1,783,323
Originated or purchased	1,899	–	24,985	26,884
Derecognition or settlements	(21,636)	(384)	(1,067)	(23,087)
Remeasurement				
– Parameter changes	24,430	70,264	392,062	486,756
– Stage transfer	–	–	139,380	139,380
Write-offs or disposals	–	–	(92,229)	(92,229)
Transfers:	–	(319,414)	319,414	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(319,414)	319,414	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	39,706	233,485	2,047,836	2,321,027

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows:

	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2022	58,486,869	2,188,481	4,529,899	65,205,249
Originated or purchased	42,434,303	–	–	42,434,303
Derecognition	(35,682,080)	(1,880)	(942,654)	(36,626,614)
Write-offs or disposals	–	–	(113,689)	(113,689)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(62,710)	211,842	(103,126)	46,006
Gross carrying amounts as at 31 December 2022	65,176,382	2,398,443	3,370,430	70,945,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows (continued):

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	68,758,954	3,857,547	3,060,831	75,677,332
Originated or purchased	23,779,517	–	470,973	24,250,490
Derecognition	(34,251,539)	(4,209)	(187,657)	(34,443,405)
Write-offs or disposals	–	–	(92,229)	(92,229)
Transfers:	–	(1,986,136)	1,986,136	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,986,136)	1,986,136	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	199,937	321,279	(708,155)	(186,939)
Gross carrying amounts as at 31 December 2021	58,486,869	2,188,481	4,529,899	65,205,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

22 FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2022	2021
Government bonds	101,447,523	70,669,273
Bonds issued by policy banks	71,015,625	53,291,330
Bonds issued by financial institutions	6,288,235	3,555,241
Certificates of deposit issued by other financial institutions	3,563,947	6,405,226
Assets backed securities issued by other banks and non-bank financial institutions	2,667,965	8,553,199
Corporate bonds	1,571,587	3,391,171
Trust and asset management plans (i)	8,853,590	10,839,761
Interest receivable	2,971,826	2,271,846
Subtotal	198,380,298	158,977,047
Less : ECL allowance	(1,862,975)	(1,572,344)
Total	196,517,323	157,404,703

(i) Trust and asset management plans as at 31 December 2022 were invested in credit assets, and mainly in stage 2 or stage 3.

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2022	19,638	177,881	1,374,825	1,572,344
Originated or purchased	5,569	–	–	5,569
Derecognition or settlements	(9,130)	(3,573)	(8,114)	(20,817)
Remeasurement				
– Parameter changes	(4,971)	(32,155)	454,258	417,132
– Stage transfer	–	–	489,496	489,496
Write-offs or disposals	–	–	(600,749)	(600,749)
Transfers:	–	(132,113)	132,113	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(132,113)	132,113	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2022	11,106	10,040	1,841,829	1,862,975

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

22 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(a) Movements in ECL allowance are summarised as follows (continued):

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	12,853	259,149	681,169	953,171
Originated or purchased	17,707	–	387,017	404,724
Derecognition or settlements	(5,496)	(32,837)	–	(38,333)
Remeasurement				
– Parameter changes	(2,762)	(37,816)	227,092	186,514
– Stage transfer	–	15,098	62,823	77,921
Write-offs or disposals	–	–	(11,653)	(11,653)
Transfers:	(2,664)	(25,713)	28,377	–
Transfer from Stage I to Stage II	(2,664)	2,664	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(28,377)	28,377	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	19,638	177,881	1,374,825	1,572,344

(b) The movements in gross carrying amount are summarised as follows:

	Year ended 31 December 2022			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2022	147,879,281	6,606,349	4,491,417	158,977,047
Originated or purchased	75,393,298	–	–	75,393,298
Derecognition	(34,703,856)	(924,505)	(460,917)	(36,089,278)
Write-offs or disposals	–	–	(600,749)	(600,749)
Transfers:	–	(1,717,836)	1,717,836	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,717,836)	1,717,836	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	616,939	116,305	(33,264)	699,980
Gross carrying amounts as at 31 December 2022	189,185,662	4,080,313	5,114,323	198,380,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

22 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(b) The movements in gross carrying amount are summarised as follows (continued):

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	92,110,770	3,482,174	1,959,587	97,552,531
Originated or purchased (i)	96,728,953	–	1,968,628	98,697,581
Derecognition	(37,666,427)	(652,436)	–	(38,318,863)
Write-offs or disposals	–	–	(11,653)	(11,653)
Transfers:	(4,171,256)	3,601,256	570,000	–
Transfer from Stage I to Stage II	(4,171,256)	4,171,256	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(570,000)	570,000	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	877,241	175,355	4,855	1,057,451
Gross carrying amounts as at 31 December 2021	147,879,281	6,606,349	4,491,417	158,977,047

- (i) Originated or purchased assets in Stage III were associated with impaired underlying credit assets in wealth management products issued by the Bank and purchased by the Bank in 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

23 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2022	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Additions	6,269	455,038	1,591	83,897	3,867	550,662
Transfer from construction in progress	17,270	(119,460)	5	42,402	253	(59,530)
Transfer from investment properties	-	-	-	-	-	-
Disposals	(43,337)	-	(502)	(74,977)	(7,605)	(126,421)
Other transfer-out	(908)	-	-	-	-	(908)
At 31 December 2022	6,049,940	631,486	610,999	1,418,519	38,149	8,749,093
Accumulated depreciation						
At 1 January 2022	4,016,478	-	553,165	1,035,272	29,476	5,634,391
Charge for the year	139,412	-	17,237	140,548	2,764	299,961
Transfer from investment properties	-	-	-	-	-	-
Disposals	(39,639)	-	(502)	(72,170)	(7,381)	(119,692)
Other transfer-out	(113)	-	-	-	-	(113)
At 31 December 2022	4,116,138	-	569,900	1,103,650	24,859	5,814,547
Net book value						
At 31 December 2022	1,933,802	631,486	41,099	314,869	13,290	2,934,546
At 1 January 2022	2,054,168	295,908	56,740	331,925	12,158	2,750,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

23 PROPERTY AND EQUIPMENT (CONTINUED)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2021	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Additions	32,541	151,459	6,481	111,019	8,194	309,694
Transfer from construction in progress	382	(125,436)	11,949	65,626	–	(47,479)
Transfer from investment properties	5,540	–	–	–	–	5,540
Disposals	(51,780)	–	(6,281)	(72,663)	(11,656)	(142,380)
Other transfer-out	(385)	–	–	–	–	(385)
At 31 December 2021	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Accumulated depreciation						
At 1 January 2021	3,783,514	–	534,506	966,487	38,203	5,322,710
Charge for the year	266,274	–	21,954	131,325	1,677	421,230
Transfer from investment properties	5,489	–	–	–	–	5,489
Disposals	(38,414)	–	(3,295)	(62,540)	(10,404)	(114,653)
Other transfer-out	(385)	–	–	–	–	(385)
At 31 December 2021	4,016,478	–	553,165	1,035,272	29,476	5,634,391
Net book value						
At 31 December 2021	2,054,168	295,908	56,740	331,925	12,158	2,750,899
At 1 January 2021	2,300,834	269,885	63,250	296,728	6,893	2,937,590

The original value and net value of the fixed assets that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 31 December	
	2022	2021
Original value	1,563,354	1,590,409
Net value	664,428	809,194

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

24 GOODWILL

	At 1 January 2022	Additions	At 31 December 2022
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	At 1 January 2021	Additions	At 31 December 2021
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

ZZRCB	As at 31 December	
	2022	2021
Growth rate	3.00%	3.00%
Discount rate	15.19%	15.00%

CZRCB	As at 31 December	
	2022	2021
Growth rate	3.00%	3.00%
Discount rate	16.68%	15.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

24 GOODWILL (CONTINUED)

(i) impairment (continued)

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

The recoverable amounts of the ZZRCB's asset group would equal its carrying amount if growth rate were to change from 3.00% to 2.88%, or discount rate were to change from 15.19% to 15.27% with all other variables held constant.

25 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	31 December 2022		31 December 2021	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	7,483,853	29,935,415	6,255,200	25,019,443
Provisions	1,081,569	4,326,278	169,427	677,707
Changes in the expected credit losses of financial assets at FVOCI	558,382	2,233,530	580,256	2,321,027
Changes in fair value of financial assets at FVOCI	626,555	2,506,216	479,673	1,917,954
Changes in the expected credit losses of loans and advances to customers at FVOCI	13,182	52,729	4,900	19,601
Changes in fair value of loans and advances to customers at FVOCI	130,652	522,602	73,046	292,186
Changes in fair value of financial assets at FVPL	701,598	2,806,392	393,721	1,574,882
Staff salary and welfare payable	345,991	1,383,964	247,929	991,714
Others	160,532	642,123	153,302	613,208
Subtotal	11,102,314	44,409,249	8,357,454	33,427,722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

25 DEFERRED INCOME TAXES (CONTINUED)

	31 December 2022		31 December 2021	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(558,382)	(2,233,530)	(580,256)	(2,321,027)
Changes in the expected credit losses of loans and advances to customers at FVOCI	(13,182)	(52,729)	(4,900)	(19,601)
Changes in fair value of financial assets at FVPL	(1,955)	(7,818)	(3,124)	(12,497)
Adjustment of book value of assets and liabilities on the date of acquisition	(104,084)	(416,333)	(104,094)	(416,377)
Unrealized gains of foreclosed assets	(76)	(303)	(76)	(303)
Subtotal	(677,679)	(2,710,713)	(692,450)	(2,769,805)
Net deferred income tax	10,424,635	41,698,536	7,665,004	30,657,917

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 31 December	
	2022	2021
Balance at the end of the last year	7,665,004	6,706,441
Charged to profit or loss	2,541,551	1,078,244
Charged to other comprehensive income	218,080	(119,681)
At the end of the year	10,424,635	7,665,004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS

	As at 31 December	
	2022	2021
Right-of-use assets (a)	1,717,861	1,871,029
Interest receivable	1,093,367	503,799
Receivables and payments	1,065,243	1,202,400
Settlement and clearing accounts	769,597	1,145,016
Foreclosed assets (b)	422,767	627,236
Assets to be settled	297,366	297,366
Intangible assets (c)	284,118	200,165
Long-term deferred expenses	85,717	93,882
Investment properties	32,017	39,680
Others	52,932	22,717
Total	5,820,985	6,003,290
Less: Allowance for impairment losses	(979,000)	(858,493)
Total	4,841,985	5,144,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS (CONTINUED)

(a) Right-of-use assets

	Properties and equipment	Land use rights	Total
Cost			
As at 1 January 2022	1,431,215	1,085,031	2,516,246
Additions	121,856	45,202	167,058
Disposals	(194,560)	(4,866)	(199,426)
As at 31 December 2022	1,358,511	1,125,367	2,483,878
Accumulated depreciation			
As at 1 January 2022	551,127	94,090	645,217
Charge for the year	253,641	26,357	279,998
Disposals	(159,198)	–	(159,198)
As at 31 December 2022	645,570	120,447	766,017
Net book value			
As at 31 December 2022	712,941	1,004,920	1,717,861
As at 1 January 2022	880,088	990,941	1,871,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS (CONTINUED)

(a) Right-of-use assets (continued)

	Properties and equipment	Land use rights	Total
Cost			
As at 1 January 2021	1,366,127	1,102,911	2,469,038
Additions	255,689	–	255,689
Disposals	(190,601)	(17,880)	(208,481)
As at 31 December 2021	1,431,215	1,085,031	2,516,246
Accumulated depreciation			
As at 1 January 2021	453,250	68,899	522,149
Charge for the year	250,973	25,191	276,164
Disposals	(153,096)	–	(153,096)
As at 31 December 2021	551,127	94,090	645,217
Net book value			
As at 31 December 2021	880,088	990,941	1,871,029
As at 1 January 2021	912,877	1,034,012	1,946,889

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS (CONTINUED)

(b) Foreclosed assets

	As at 31 December	
	2022	2021
Houses and buildings	407,791	606,053
Others	14,976	21,183
Total	422,767	627,236
Less: Allowance for impairment losses	(136,694)	(132,119)
Total	286,073	495,117

Movements of allowance for repossessed assets are as follows:

	Houses, buildings and land use rights	Others	Total
At 1 January 2021	69,307	–	69,307
Charge for the year	62,784	28	62,812
At 31 December 2021	132,091	28	132,119
Charge for the year	4,575	–	4,575
At 31 December 2022	136,666	28	136,694

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS (CONTINUED)

(c) Intangible assets

	Software	Total
Cost		
At 1 January 2022	871,370	871,370
Additions	137,573	137,573
Transfer from construction in progress	38,070	38,070
Disposals	–	–
At 31 December 2022	1,047,013	1,047,013
Accumulated amortization		
At 1 January 2022	671,205	671,205
Amortization	91,690	91,690
Disposals	–	–
At 31 December 2022	762,895	762,895
Net book value		
At 31 December 2022	284,118	284,118
At 1 January 2022	200,165	200,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 OTHER ASSETS (CONTINUED)

(c) Intangible assets (continued)

	Software	Total
Cost		
At 1 January 2021	716,611	716,611
Additions	134,314	134,314
Transfer from construction in progress	29,189	29,189
Disposals	(8,744)	(8,744)
At 31 December 2021	871,370	871,370
Accumulated amortization		
At 1 January 2021	530,929	530,929
Amortization	145,946	145,946
Disposals	(5,670)	(5,670)
At 31 December 2021	671,205	671,205
Net book value		
At 31 December 2021	200,165	200,165
At 1 January 2021	185,682	185,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

27 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits from banks operating in Mainland China	8,132,863	630,132
Deposits from other financial institutions operating in Mainland China	20,891,581	35,374,882
Interest payable	300,496	221,667
Total	29,324,940	36,226,681

28 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements from banks operating in Mainland China	3,340,000	800,000
Placements from other financial institutions in Mainland China	–	530,000
Interest payable	2,939	1,545
Total	3,342,939	1,331,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2022	2021
Securities	38,701,065	32,349,999
Interest payable	16,254	9,980
Total	38,717,319	32,359,979

30 CUSTOMER DEPOSITS

	As at 31 December	
	2022	2021
Demand deposits		
– Corporate customers	168,622,668	179,302,174
– Personal customers	131,603,206	125,691,468
	300,225,874	304,993,642
Time deposits		
– Corporate customers	189,613,483	200,646,029
– Personal customers	385,050,632	327,913,865
	574,664,115	528,559,894
Pledged deposits	33,083,266	13,370,518
Other deposits	2,511,777	2,842,750
Total	910,485,032	849,766,804

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

31 DEBT SECURITIES ISSUED

	As at 31 December	
	2022	2021
2018 tier 2 capital bonds (a)	10,377,180	10,377,039
Interbank certificates of deposit issued (b)	111,146,215	96,628,433
Financial bonds (c)	3,057,130	1,028,090
Total	124,580,525	108,033,562

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued Tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

(b) Interbank certificates of deposit issued

As at 31 December 2022, the outstanding balance was RMB111,146,215 thousand (31 December 2021: RMB96,628,433 thousand), with interest rates ranging from 1.81% to 2.75% (31 December 2021: from 2.40% to 3.21%), and is maturing in 2023.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued financial bonds in an amount of RMB 3 billion in the domestic interbank bond market on 5 May 2022. The bonds have a maturity of 3 years, with a fixed coupon rate of 2.89% and annual interest payment on 5 May every year from 2023 to 2025.

Pursuant to the approval of the PBOC and the CBIRC, Zhujiang Financial Leasing Co., Ltd. issued financial bonds in an amount of RMB1 billion in the domestic interbank bond market on 18 April 2019. The bonds have a maturity of 3 years, with a fixed coupon rate of 3.80% and annual interest payment on 22 April every year from 2020 to 2022. The aforesaid financial bonds of Zhujiang Financial Leasing Co., Ltd. was fully paid on 22 April 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

32 OTHER LIABILITIES

	As at 31 December	
	2022	2021
Borrowings from other banks (a)	7,601,142	10,876,070
Settlement and clearing accounts	2,367,829	3,384,618
Salaries, bonuses, allowances and subsidies payable (b)	1,894,525	1,717,482
Guarantee deposits from lessees (c)	949,918	1,331,469
Lease liabilities	783,156	936,799
Provisions (d)	632,530	677,707
Sundry tax payables	591,306	637,642
Deposit insurance premium payable	194,685	96,388
Deferred revenue	93,604	147,208
Deposits and guarantees received	48,368	49,581
Collection of foreclosed assets	16,428	15,000
Others	883,397	944,910
Total	16,056,888	20,814,874

(a) Borrowings from other banks

As at 31 December 2022, the wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with original maturity ranging from 3 to 60 months (31 December 2021: from 1 to 60 months) and interest rates ranging from 2.55% to 3.75% (31 December 2021: from 3.22% to 4.40%).

(b) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2022	2021
Salaries, bonuses and allowances	1,027,280	863,003
Social insurance	4,753	4,837
Housing fund	441	494
Employee benefits, etc.	118,085	128,501
Defined contribution plans	1,292	2,977
Defined benefit plans		
– Supplemental retirement benefits (i)	674,029	587,577
Early retirement benefits	68,645	130,093
Total	1,894,525	1,717,482

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

32 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

(i) Supplemental retirement benefits

During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (31 December 2021: Nil).

The movement of supplementary retirement benefits of the Group are as follows:

	As at 31 December	
	2022	2021
At 1 January	587,577	422,202
Benefits paid during the year	(54,577)	(46,074)
Defined benefit cost recognised in profit or loss	121,983	170,587
Defined benefit cost recognised in other comprehensive income	19,046	40,862
At 31 December	674,029	587,577

The principal actuarial assumptions adopted at the end of 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
Discount rate		
– Normal retirees	2.31%-3.10%	2.55%-3.13%
– Early retirees	3.10%	3.16%
Expected growth rate of benefits	0-5%	0-5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, which published in Mainland China.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

32 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate As at 31 December	
	2022	2021
Change in basis points		
+50 basis points	(49,085)	(43,430)
-50 basis points	55,590	49,268
	Growth rate As at 31 December	
	2022	2021
Change in basis points		
+50 basis points	50,949	48,699
-50 basis points	(45,249)	(43,246)

(c) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(d) Provisions

As at 31 December 2022, the balance mainly represent expected credit loss allowance of off-balance sheet credit commitments including bank acceptances, letters of credit and guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

33 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	31 December 2022		31 December 2021	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	11,451,269	11,451,269	9,808,269	9,808,269
Issuance of shares	–	–	1,643,000	1,643,000
As at 31 December 2022/ 31 December 2021	11,451,269	11,451,269	11,451,269	11,451,269

According to the proposal of the board of directors on 16 April 2021 and the shareholders' resolution on 8 June 2021, the Bank applied for the issuance of not more than 0.305 billion H shares through non-public offering to investors overseas and not more than 1.340 billion domestic shares through private placement. The application for the Bank's capital increase plan was approved by the CBIRC, Guangdong Bureau (Yue Yin Bao Jian Fu [2021] No. 313). With regard to this capital increase, as at 2 December 2021, the Bank received a total of RMB1,790,456 thousand from the H shareholders, including an increase of RMB305,000 thousand in share capital and a capital reserve of RMB1,481,181 thousand (after deducting the issuance cost of RMB4,275 thousand). As at 24 December 2021, the Bank received a total of RMB7,880,820 thousand from the domestic shareholders, including an increase of RMB1,338,000 thousand in share capital and a capital reserve of RMB6,538,800 thousand (after deducting the issuance cost of RMB4,020 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

34 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Number of shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.90%	USD20/share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
					Total		<u>9,839,115</u>			
					Less: Issuance fees		<u>18,381</u>			
					Book value		<u>9,820,734</u>			

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (a) From and including the issue date to but excluding the first reset date, at the rate of 5.90% per annum; and
- (b) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

34 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(ii) *Conditions to distribution of dividends*

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) *Mandatory conversion trigger events*

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

34 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

(c) Movements of preference shares issued

	As at 1 January 2022	Movements		As at 31 December 2022
		Additions	Reductions	
Offshore preference shares				
Number (shares)	71,500,000	–	–	71,500,000
In RMB, after deducting issuance fees	9,820,734	–	–	9,820,734

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

35 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the year ended 31 December 2022, an appropriation of 10% of the profit of the Bank determined under generally accepted accounting principles of the PRC ("PRC GAAP") was made to the statutory surplus reserve, in the amount of RMB300,297 thousand (31 December 2021: RMB294,284 thousand).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, starting from 1 July 2012, which should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

During the year ended 31 December 2022, the Group transferred RMB1,151,936 thousand (31 December 2021: RMB1,674,285 thousand) to the general reserve pursuant to the regulatory requirements in the PRC and the reserve has reached 1.5% of the year-end balance of its risk assets as required on 31 December 2022 and 31 December 2021.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position				Net amount transferred to the income statement	Other comprehensive income in income statement		
	Attributable to the		As at 31 December 2022	Amount before tax		Attributable to the		Attributable to the non- controlling interests after tax
	As at 31 December 2021	shareholders of the Bank after tax				Tax of the Bank after tax	shareholders after tax	
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on financial assets at fair value through other comprehensive income	(1,670,371)	(552,109)	(2,222,480)	(531,338)	(287,340)	204,488	(552,109)	(62,081)
Loss allowance on financial assets at fair value through other comprehensive income	1,757,735	(40,407)	1,717,328	(54,369)	-	13,592	(40,407)	(370)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(35,716)	(18,930)	(54,646)	(19,046)	-	-	(18,930)	(116)
Total	51,648	(611,446)	(559,798)	(604,753)	(287,340)	218,080	(611,446)	(62,567)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME(CONTINUED)

	Other comprehensive income in statement of financial position			Amount before tax	Net amount transferred to the income statement	Other comprehensive income in income statement		
	As at 31 December 2020	Attributable to the shareholders of the Bank after tax	As at 31 December 2021			Attributable to the shareholders of the Bank after tax	Tax expense	Attributable to the non- controlling interests after tax
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on financial assets at fair value through other comprehensive income	(1,734,252)	63,881	(1,670,371)	467,829	(338,344)	(32,187)	63,881	33,417
Loss allowance on financial assets at fair value through other comprehensive income	1,495,790	261,945	1,757,735	349,978	-	(87,494)	261,945	539
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	5,065	(40,781)	(35,716)	(40,862)	-	-	(40,781)	(81)
Total	(233,397)	285,045	51,648	776,945	(338,344)	(119,681)	285,045	33,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

37 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 31 December	
	2022	2021
Cash on hand	3,319,321	3,760,436
Surplus reserves with central bank	33,313,335	27,873,445
Deposits with banks and other financial institutions	4,758,672	16,692,121
Placements with banks and other financial institutions	900,000	2,793,466
Financial assets held under resale agreements	53,453,040	48,421,807
Total	95,744,368	99,541,275

38 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the 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 recognise the transferred assets in the consolidated statement of financial position.

(a) Bond lending arrangements

The Group entered into bond lending agreements with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss of carrying amount totalling nil as at 31 December 2022 (31 December 2021: RMB5,200,286 thousand) and financial assets at fair value through other comprehensive income of carrying amount totalling RMB6,480,897 thousand as at 31 December 2022 (31 December 2021: RMB3,301,264 thousand) and financial assets at amortized cost amount totalling RMB4,623,873 thousand as at 31 December 2022 (31 December 2021: RMB6,606,005 thousand). The counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them in the consolidated financial statements.

(b) Securitisation transactions

In the course of securitisation transactions, the Group sells assets to special purpose trusts and the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2022, there was no credit assets transferred by the Group to special purpose trusts (31 December 2021: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

38 TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

(c) Transfer of beneficial rights of credit assets

In the course of beneficial rights of credit assets transfer transactions, the Group transfers beneficial rights of credit assets to special purpose trusts from whom the trust schemes are subsequently transferred to the investors. The Group may subscribe some trust funds in these businesses, thus reserving part of risks and rewards of transferred beneficial rights of credit assets. The Group analyses and judges whether to derecognise relevant beneficial rights of credit assets based on degree of retention of risks and rewards.

As at 31 December 2022, there was no beneficial rights of credit assets transferred by the Group to special purpose trusts (31 December 2021: nil).

39 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated structured entities

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

As at 31 December 2022, the balance of these consolidated structured entities were RMB38,860,252 thousand (31 December 2021: RMB40,587,436 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities

(i) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

During the year ended 31 December 2022, the Group recorded commission income as the manager of these wealth management products amounting to RMB239,341 thousand (31 December 2021: RMB124,290 thousand). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 31 December 2022, there was no balance of the above repurchase and placement transactions (31 December 2021: nil).

As at 31 December 2022, the balance of the unconsolidated non-guaranteed wealth management products managed by the Group amounted to RMB69,945,801 thousand (31 December 2021: RMB86,022,999 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group

As at 31 December 2022, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

At 31 December 2022	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	5,263,008	5,263,008
Fund investments	49,309,910	49,309,910
Other investments	3,874,869	3,874,869
Subtotal	58,447,787	58,447,787
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	5,385,839	5,385,839
Other investments	81,346	81,346
Subtotal	5,467,185	5,467,185
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	7,333,742	7,333,742
Other investments	2,678,977	2,678,977
Subtotal	10,012,719	10,012,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

39 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group (continued)

At 31 December 2021	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	4,819,959	4,819,959
Fund investments	37,130,579	37,130,579
Other investments	5,934,883	5,934,883
Subtotal	47,885,421	47,885,421
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,080,934	6,080,934
Other investments	1,894,462	1,894,462
Subtotal	7,975,396	7,975,396
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	9,536,036	9,536,036
Other investments	8,579,491	8,579,491
Subtotal	18,115,527	18,115,527

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

40 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan and credit card commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the year had the counterparties failed to perform as contracted.

	As at 31 December	
	2022	2021
Bank acceptances	51,148,909	37,751,574
Letters of credit issued	1,337,568	1,667,390
Guarantees issued	32,555,656	36,660,849
Loan and credit card commitments (i)	150,325,084	143,480,286
Subtotal	235,367,217	219,560,099
Allowance for credit commitments	(606,460)	(651,637)
Total	234,760,757	218,908,462

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

40 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating lease commitments

During the year, the Group leased certain of their office properties under lease arrangements, and the total future minimum lease payments in respect of leases not yet commenced to which the lessee is committed amounted to RMB1,284 thousand (31 December 2021: RMB13,986 thousand).

(c) Capital commitments

At the end of the year, the Group had capital commitments as follows:

	As at 31 December 2022	2021
Contracted, but not provided for	412,532	454,621

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December 2022	2021
Financial guarantees and credit related commitments	27,745,080	26,609,177

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2022, the expected total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB26,070 thousand (31 December 2021: RMB26,070 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

41 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 31 December	
	2022	2021
Entrusted deposits	(5,559,851)	(6,018,341)
Entrusted loans	5,559,851	6,018,341

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 31 December 2022, entrusted wealth management service of the Group amounted to RMB69,945,801 thousand (31 December 2021: RMB86,022,999 thousand).

42 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 31 December 2022 and 2021, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, borrowings from Central Bank, re-lending and time deposits. As at 31 December 2022, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB53,212,146 thousand (31 December 2021: RMB46,666,776 thousand).

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 31 December 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

43 RELATED PARTY DISCLOSURES

(a) Related party relationships

On 31 December 2022, there are two shareholders directly holding 5% or above shares of the Bank (31 December 2021: two).

	Number of shares '000	Percentage of shares holding of the Bank %	Main business
Guangzhou Metro Group Co., Ltd.	722,950	6.31	Infrastructure industry
Guangzhou City Renewal Group Co., Ltd.	666,735	5.82	Real estate industry
	1,389,685	12.13	

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

(i) *Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders*

Major shareholders consist of shareholders of the bank with more than 5% (inclusive 5%) shares, and shareholders who hold less than 5% of the total shares but have the power to appoint a director in the Bank.

Balances at the end of the year	As at 31 December	
	2022	2021
Loans and advances to customers	9,935,929	9,699,914
Financial assets at fair value through profit or loss	800,422	2,573,604
Financial assets at amortised cost	100,000	877,606
Deposits from banks and other financial institutions	8,071	183,793
Customer deposits	8,383,595	15,537,110
Bank acceptance bills	50,000	180,862
Credit commitments	1,116,046	1,744,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

43 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders (continued)

Transactions during the year	Year ended 31 December	
	2022	2021
Interest income	291,047	537,745
Interest expense	176,181	441,598
Fee and commission income	3,911	10,898
Fee and commission expense	841	2,529
Net trading gains	246	46,840

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

Balances at the end of the year	As at 31 December	
	2022	2021
Loans and advances to customers	2,427,485	14,923,214
Financial assets at fair value through profit or loss	60,484	3,995,621
Financial assets at fair value through other comprehensive incomes	–	5,128
Financial assets at amortised cost	304,252	573,356
Customer deposits	1,965,499	4,912,496
Deposits from banks and other financial institutions	259,087	–
Bank acceptance bills	–	39,999
Credit commitments	707,797	1,547,413

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

43 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(iii) Other related parties (continued)

Transactions during the year	Year ended 31 December	
	2022	2021
Interest income	45,746	788,421
Interest expense	84,467	262,808
Fee and commission income	831	134
Net trading gains	3,991	55,993

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Year ended 31 December	
	2022	2021
Salary, remuneration and benefits	23,089	23,586

Transactions with key management personnel and their closed family members are listed below:

Balances at the end of the year	As at 31 December	
	2022	2021
Loans and advances to customers	4,471	10,347
Customer deposits	86,286	629,347
Credit commitments	–	1,600

Transactions during the year	Year ended 31 December	
	2022	2021
Interest income	277	513
Interest expense	159	4,950
Fee and commission income	897	132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of risk management.

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Legal and Compliance Department (Anti-Money Laundering Center) and Asset and Liability Management Department take the lead in managing credit risk, market risk, operation risk and liquidity risk. The Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

The Group writes off loans, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation to recover the loan.

The written off amount of such loans by the Group were RMB6,914,539 thousand in 2022 (31 December 2021: RMB4,817,192 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management (continued)

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, securities companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of financial institutions. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, acceptances, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;
- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

Fair value of collateral is usually required to be assessed by professional valuers permitted by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has implemented major loan-to-value ratio requirement based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Office buildings, shops, factories, houses, carpports, warehouses	50%
Land use rights	50%
Constructions In process	45%
Automobiles	50%
Forest ownerships	40%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);

Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;

Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.

Significant increase in Credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds was set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

Significant increase in Credit risk (continued)

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower;
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to lead the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment.

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

In 2022 and 2021, the Group did not determine any financial instruments as having low credit risk, the credit risk of which did not need to be evaluated on the reporting date, comparing with its initial recognition date.

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

Definition of default and credit impairment (continued)

Qualitative criteria

The borrower meets the "difficulty to repay" criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower's financial difficulties;
- A purchased or originated credit-impaired financial asset.

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms.

The Group has updated the PD and EAD in the ECL models based on the latest historical information and risk condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. Through the analysis of historical data, the Group identifies the macroeconomic indicators that affect the credit risk and ECL of various portfolio. Macroeconomic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI), Money Supply (M2) and Completed Investment in Real Estate Development, etc. The Group obtained the key macroeconomic factors from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgments to determine economic forecasts and weighting scheme under various economic scenarios.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses the results.

The values of the core macroeconomic indicators used to evaluate expected credit losses on 31 December 2022 are as follows:

Item	Range
GDP Annual Percentage Change	1.89%~8.31%
Growth rate of Consumer Price Index (YTD)	0.66%~3.54%

In 2022 and 2021, the Group has taken into account the impact of changes in different economic scenarios to the ECL model. The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. The weightings for the three scenarios remain 80%, 10% and 10% respectively.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2022, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under base scenario	18,994,339	3,793,914	4,096,101
Difference in amount	92,038	26,488	404
Difference in percentage	0%	1%	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under optimistic scenario	17,129,461	2,792,970	4,078,191
Difference in amount	1,956,916	1,027,432	18,314
Difference in percentage	10%	27%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	19,086,377	3,820,402	4,096,505
ECL under pessimistic scenario	21,722,443	4,852,630	4,118,049
Difference in amount	(2,636,066)	(1,032,228)	(21,544)
Difference in percentage	-14%	-27%	-1%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2022
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	27,587,628
Total amount of ECL allowance and provisions recognised in balance sheet	28,641,002
Difference in amount	(1,053,374)
Difference in percentage	-4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

As at 31 December 2021, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under base scenario	16,577,569	3,569,563	3,893,310
Difference in amount	(9,640)	(8,772)	61
Difference in percentage	0%	0%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under optimistic scenario	16,237,612	3,431,139	3,881,745
Difference in amount	330,317	129,652	11,626
Difference in percentage	2%	4%	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under pessimistic scenario	16,948,865	3,752,955	3,905,488
Difference in amount	(380,936)	(192,164)	(12,117)
Difference in percentage	-2%	-5%	0%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2021
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	21,121,719
Total amount of ECL allowance and provisions recognised in balance sheet	25,424,248
Difference in amount	(4,302,529)
Difference in percentage	-17%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Grouping for ECL allowance

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

The characteristics for grouping are as follows:

Personal loans

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

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the appropriateness of grouping regularly.

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December	
	2022	2021
Deposits with central bank	83,936,814	82,504,553
Deposits with banks and other financial institutions	7,764,638	20,275,410
Placements with banks and other financial institutions	43,468,970	33,951,904
Financial assets held under resale agreements	57,474,333	53,049,060
Loans and advances to customers		
– at amortized cost	583,824,468	545,791,574
– at fair value through other comprehensive income	85,293,398	91,762,237
Financial assets at amortized cost	196,517,323	157,404,703
Financial assets at fair value through other comprehensive income	70,945,255	65,205,249
Other financial assets	2,312,517	1,823,701
Total	1,131,537,716	1,051,768,391
Credit commitments	234,760,757	218,908,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2022, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

31 December 2022					
Corporate loans	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Credit rating					
A to AAA	246,483,716	–	–	–	246,483,716
B to BBB	155,976,143	10,480,605	–	–	166,456,748
C to CCC	–	43,392,432	–	–	43,392,432
D/Default	–	–	32,210,984	27,422	32,238,406
Unrated	33,350,252	2,904,917	1,186,736	–	37,441,905
Total	435,810,111	56,777,954	33,397,720	27,422	526,013,207
Expected credit losses allowance	(3,259,927)	(4,160,147)	(11,612,443)	(1,131)	(19,033,648)
Net carrying amount	432,550,184	52,617,807	21,785,277	26,291	506,979,559

31 December 2022					
Personal loans	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Overdue days					
Not overdue	160,538,144	695,138	40,643	388	161,274,313
0 to 30 days	234,035	1,038,763	12,565	–	1,285,363
30 to 60 days	–	631,355	31,611	–	662,966
60 to 90 days	–	98,464	333,337	–	431,801
More than 90 days/Default	–	–	2,242,782	61,484	2,304,266
Total	160,772,179	2,463,720	2,660,938	61,872	165,958,709
Expected credit losses allowance	(1,445,468)	(536,168)	(1,838,282)	(484)	(3,820,402)
Net carrying amount	159,326,711	1,927,552	822,656	61,388	162,138,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2021, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Corporate loans	31 December 2021			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Credit rating					
A to AAA	148,842,702	–	–	–	148,842,702
B to BBB	156,958,186	16,068,047	–	–	173,026,233
C to CCC	–	21,769,163	–	–	21,769,163
D/Default	–	–	22,606,134	–	22,606,134
Unrated	124,789,236	4,461,613	3,709,074	29,310	132,989,233
Total	430,590,124	42,298,823	26,315,208	29,310	499,233,465
Expected credit losses allowance	(2,845,586)	(3,644,029)	(10,057,799)	(914)	(16,548,328)
Net carrying amount	427,744,538	38,654,794	16,257,409	28,396	482,685,137

Personal loans	31 December 2021			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Overdue days					
Not overdue	154,870,617	714,449	48,341	–	155,633,407
0 to 30 days	111,188	699,046	21,685	–	831,919
30 to 60 days	–	380,183	26,641	–	406,824
60 to 90 days	–	72,154	148,197	–	220,351
More than 90 days/Default	–	–	1,269,106	67,858	1,336,964
Total	154,981,805	1,865,832	1,513,970	67,858	158,429,465
Expected credit losses allowance	(1,702,298)	(613,434)	(1,244,546)	(513)	(3,560,791)
Net carrying amount	153,279,507	1,252,398	269,424	67,345	154,868,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2022, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2022			Total
	Stage I	Stage II	Stage III	
Credit rating				
A to AAA	40,161,923	–	–	40,161,923
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,097,834	2,097,834
Unrated ⁽¹⁾	149,023,739	4,080,313	3,016,489	156,120,541
Total	189,185,662	4,080,313	5,114,323	198,380,298
Expected credit losses allowance	(11,106)	(10,040)	(1,841,829)	(1,862,975)
Net carrying amount	189,174,556	4,070,273	3,272,494	196,517,323

Financial assets at fair value through other comprehensive income	31 December 2022			Total
	Stage I	Stage II	Stage III	
Credit rating				
A to AAA	7,226,439	–	–	7,226,439
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,311,576	2,311,576
Unrated ⁽¹⁾	57,949,943	2,398,443	1,058,854	61,407,240
Total	65,176,382	2,398,443	3,370,430	70,945,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2021, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2021			Total
	Stage I	Stage II	Stage III	
Credit rating				
A to AAA	16,685,384	–	–	16,685,384
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	3,159,288	3,159,288
Unrated ⁽¹⁾	131,193,897	6,606,349	1,332,129	139,132,375
Total	147,879,281	6,606,349	4,491,417	158,977,047
Expected credit losses allowance	(19,638)	(177,881)	(1,374,825)	(1,572,344)
Net carrying amount	147,859,643	6,428,468	3,116,592	157,404,703

Financial assets at fair value through other comprehensive income	31 December 2021			Total
	Stage I	Stage II	Stage III	
Credit rating				
A to AAA	8,408,816	–	–	8,408,816
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,837,611	2,837,611
Unrated ⁽¹⁾	50,078,053	2,188,481	1,692,288	53,958,822
Total	58,486,869	2,188,481	4,529,899	65,205,249

- (1) Unrated financial assets in stage I mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies and trust and asset management plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	As at 31 December	
	2022	2021
Financial assets at fair value through profit or loss	81,974,528	91,628,563

(v) Loans and advances to customers

By industry	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	124,902,639	18.06%	99,733,134	15.18%
Wholesale and retail	58,404,138	8.44%	65,188,859	9.91%
Real estate	56,756,708	8.20%	59,025,406	8.98%
Manufacturing	48,220,920	6.97%	42,120,565	6.40%
Construction	37,123,198	5.36%	38,937,475	5.92%
Resident services, repairing and other services	20,926,021	3.02%	17,641,848	2.68%
Transportation, warehouse and postal services	17,204,006	2.49%	9,818,709	1.49%
Hotel and catering	13,181,560	1.90%	18,274,513	2.78%
Education	12,504,828	1.81%	12,017,335	1.83%
Agriculture, forestry, farming and fishery	10,971,137	1.59%	9,850,454	1.50%
Water, environment and public facilities management	9,178,737	1.33%	10,472,339	1.59%
Information transmission, software and IT services	7,112,736	1.03%	6,448,392	0.98%
Financial services	6,633,569	0.96%	3,183,114	0.48%
Energy and utilities	4,629,569	0.67%	3,027,707	0.46%
Culture, sports and entertainment	4,469,689	0.65%	3,358,704	0.51%
Healthcare and social welfare	2,407,471	0.35%	1,997,322	0.30%
Others	5,957,737	0.84%	5,930,814	0.90%
Subtotal	440,584,663	63.67%	407,026,690	61.89%
Discounted bills	85,428,544	12.35%	92,206,775	14.02%
Personal loans	165,958,709	23.98%	158,429,465	24.09%
Total	691,971,916	100.00%	657,662,930	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

By geography	As at 31 December	
	2022	2021
Guangzhou	577,551,252	542,501,488
Pearl River Delta (except Guangzhou)	42,975,618	42,771,059
Guangdong Province (except Pearl River Delta)	42,137,968	41,771,747
Central China	19,923,704	20,197,504
Western China	2,340,816	2,454,174
Yangtze River Delta	2,207,287	2,418,657
Bohai Rim	703,127	1,271,863
North-east China	535,214	509,261
Others	3,596,930	3,767,177
Total	691,971,916	657,662,930

By collateral type	As at 31 December	
	2022	2021
Unsecured loans	159,839,446	132,719,680
Guaranteed loans	163,524,687	164,409,814
Collateralised loans	331,676,968	324,521,951
Pledged loans	36,930,815	36,011,485
Total	691,971,916	657,662,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2022					
Unsecured loans	422,577	615,607	422,683	41,448	1,502,315
Guaranteed loans	4,276,886	2,881,272	3,115,741	2,625,975	12,899,874
Collateralised loans	7,065,497	3,211,487	1,519,233	128,319	11,924,536
Pledged loans	195,063	379,153	32,362	2,319	608,897
Total	11,960,023	7,087,519	5,090,019	2,798,061	26,935,622

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2021					
Unsecured loans	305,101	249,745	105,333	19,552	679,731
Guaranteed loans	7,923,541	4,591,046	2,859,311	129,114	15,503,012
Collateralised loans	5,607,921	7,299,828	2,162,184	133,983	15,203,916
Pledged loans	289,348	61,428	9,467	2,073	362,316
Total	14,125,911	12,202,047	5,136,295	284,722	31,748,975

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality

As at 31 December 2022, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2022				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Deposits with central bank	83,936,814	-	-	-	83,936,814
Deposits with banks and other financial institutions	7,766,765	-	21,378	-	7,788,143
Placements with banks and other financial institutions	43,360,644	-	571,106	-	43,931,750
Financial assets held under resale agreements	57,474,333	-	-	-	57,474,333
Loans and advances to customers	596,582,290	59,241,674	36,058,658	89,294	691,971,916
Financial assets at amortized cost	189,185,662	4,080,313	5,114,323	-	198,380,298
Financial assets at fair value through other comprehensive income	65,176,382	2,398,443	3,370,430	-	70,945,255
Other financial assets	2,457,743	188,935	210,893	-	2,857,571
Total	1,045,940,633	65,909,365	45,346,788	89,294	1,157,286,080

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

As at 31 December 2021, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2021				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Deposits with central bank	82,504,553	–	–	–	82,504,553
Deposits with banks and other financial institutions	20,281,143	–	21,378	–	20,302,521
Placements with banks and other financial institutions	33,683,022	–	563,169	–	34,246,191
Financial assets held under resale agreements	53,049,060	–	–	–	53,049,060
Loans and advances to customers	585,571,929	44,164,655	27,829,178	97,168	657,662,930
Financial assets at amortized cost	147,879,281	6,606,349	4,491,417	–	158,977,047
Financial assets at fair value through other comprehensive income	58,486,869	2,188,481	4,529,899	–	65,205,249
Other financial assets	1,307,496	724,370	220,957	–	2,252,823
Total	982,763,353	53,683,855	37,655,998	97,168	1,074,200,374

Loans and advances for stage I and II

	31 December 2022	
	Stage I	Stage II
Not overdue	595,533,508	51,544,212
Overdue		
Within 1 month	1,048,782	6,528,247
1 to 2 months	–	1,051,842
2 to 3 months	–	117,373
Total	596,582,290	59,241,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Loans and advances for stage I and II

	31 December 2021	
	Stage I	Stage II
Not overdue	578,621,220	41,168,058
Overdue		
Within 1 month	6,950,709	1,737,258
1 to 2 months	–	1,145,419
2 to 3 months	–	113,920
Total	585,571,929	44,164,655

Loans and advances that are overdue but still in Stage I and II/unimpaired

As at the balance sheet date, the ageing of loans and advances overdue but still in Stage I and II/unimpaired is as follows:

	As at 31 December	
	2022	2021
Overdue		
Within 1 month	7,577,029	8,687,967
1 to 2 months	1,051,842	1,145,419
2 to 3 months	117,373	113,920
Total	8,746,244	9,947,306

As at 31 December 2022, the fair value of the collateral held by the Group for overdue but still in Stage I and II/unimpaired loans was RMB11,479,551 thousand, including land, property, machinery and other assets (31 December 2021: RMB10,589,670 thousand).

Stage III/impairment of loans and advances

As at 31 December 2022, the fair value of the collateral held by the Group for the Stage III/ impaired loan were RMB20,747,801 thousand, including land, property, machinery and equipment and other assets (31 December 2021: RMB16,378,227 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Restructuring loans and advances

As at 31 December 2022, the book value of the Group's restructuring loans and advances was RMB23,003,540 thousand (31 December 2021: RMB19,530,392 thousand).

As at 31 December 2022, the book value of the Group's restructuring loans and advances in Stage I was RMB1,215,066 thousand (31 December 2021: RMB901,771 thousand).

Credit rating assessed by a rating agency at the balance sheet date

The RMB bonds of the Group are mainly rated by major credit rating agencies in the PRC. Foreign currency bonds refer mainly to Standard & Poor's (S & P) ratings.

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2022				
Medium-term and long-term bonds:				
AAA	123,852	39,804,402	7,155,819	47,084,073
A to AA+	1,120,789	357,521	70,620	1,548,930
B to BB+	15,882	–	–	15,882
C to CC+	285,501	–	383,016	668,517
No rating ⁽¹⁾ :	19,439,835	148,603,026	57,949,961	225,992,822
Other no rating investments	60,988,669	9,615,349	5,385,839	75,989,857
Total	81,974,528	198,380,298	70,945,255	351,300,081

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Credit rating assessed by a rating agency at the balance sheet date (continued)

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2021				
Medium-term and long-term bonds:				
AAA	1,443,836	15,823,131	7,869,866	25,136,833
A to AA+	1,192,102	862,253	538,950	2,593,305
B to BB+	22,327	–	–	22,327
C to CC+	225,205	–	–	225,205
No rating ⁽¹⁾ :	40,562,876	131,202,920	50,715,499	222,481,295
Other no rating investments	48,182,217	11,088,743	6,080,934	65,351,894
Total	91,628,563	158,977,047	65,205,249	315,810,859

(1) No rating debt securities mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

31 December 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	36,794,339	-	-	-	-	-	50,461,796	87,256,135
Deposits with banks and other financial institutions ⁽¹⁾	150,000	5,689,700	64,800,335	9,427,612	28,640,294	-	-	-	108,707,941
Financial assets at fair value through profit or loss	7,244,651	49,293,907	3,319,701	2,648,542	9,025,868	6,942,301	1,002,583	2,496,975	81,974,528
Financial assets at amortized cost	3,093,045	-	1,298,908	3,656,839	16,401,938	96,347,626	75,718,967	-	196,517,323
Financial assets at fair value through other comprehensive income	3,365,920	-	614,206	1,105,007	4,081,098	40,347,063	21,431,961	-	70,945,255
Loans and advances to customers	17,934,471	-	35,546,177	48,966,985	269,100,539	195,887,631	101,682,063	-	669,117,866
Other financial assets	780,631	-	916,803	31,233	141,738	361,857	80,255	-	2,312,517
Total financial assets	32,568,718	91,777,946	106,496,130	65,836,218	327,391,475	339,886,478	199,915,829	52,958,771	1,216,831,565
Financial liabilities:									
Due to central bank	-	-	2,358,964	7,230,898	10,872,431	-	-	-	20,462,293
Deposits from banks and other financial institutions ⁽²⁾	-	4,087,332	38,814,529	15,834,827	11,157,510	1,491,000	-	-	71,385,198
Financial liabilities at fair value through profit or loss	-	4,005	-	-	-	-	-	-	4,005
Customer deposits ⁽³⁾	-	323,835,844	26,173,882	75,243,369	209,072,726	256,899,493	199,991	19,059,727	910,485,032
Lease liabilities	-	-	18,307	36,614	165,742	503,890	58,603	-	783,156
Debt securities issued	-	-	11,137,663	42,904,627	57,539,763	2,999,330	9,999,142	-	124,580,525
Other financial liabilities	-	13,203	2,348,381	1,094,680	6,683,488	422,088	116,947	410,183	11,088,970
Total financial liabilities	-	327,940,384	80,851,726	142,345,015	295,491,660	262,315,801	10,374,683	19,469,910	1,138,789,179
Net liquidity gap	32,568,718	(236,162,438)	25,644,404	(76,508,797)	31,899,815	77,570,677	189,541,146	33,488,861	78,042,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (continued):

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	31,864,275	-	-	-	-	-	54,400,714	86,264,989
Deposits with banks and other financial institutions ⁽¹⁾	281,585	17,169,394	59,427,898	4,425,746	25,971,751	-	-	-	107,276,374
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,925,753	10,298,627	17,417,623	10,176,645	1,298,962	1,079,971	91,628,563
Financial assets at amortized cost	1,828,392	-	1,224,906	5,908,809	15,422,943	95,519,645	37,500,008	-	157,404,703
Financial assets at fair value through other comprehensive income	2,837,611	-	296,634	464,937	5,238,370	36,670,064	19,697,633	-	65,205,249
Loans and advances to customers	20,241,229	-	23,815,665	42,046,436	190,694,277	223,776,995	136,979,209	-	637,553,811
Other financial assets	384,446	-	886,158	176,419	116,962	45,089	214,627	-	1,823,701
Total financial assets	33,868,047	86,169,867	91,577,014	63,320,974	254,861,926	366,188,438	195,690,439	55,480,685	1,147,157,390
Financial liabilities:									
Due to central bank	-	-	1,211,978	2,640,444	20,943,778	-	-	63,689	24,859,889
Deposits from banks and other financial institutions ⁽²⁾	-	6,070,309	36,593,258	11,914,149	15,340,489	-	-	-	69,918,205
Financial liabilities at fair value through profit or loss	-	5,619	-	-	-	-	-	-	5,619
Customer deposits ⁽³⁾	-	326,115,733	25,672,379	52,556,426	174,890,665	254,441,919	273,790	15,815,892	849,766,804
Lease liabilities	-	-	25,084	50,167	200,579	529,270	131,699	-	936,799
Debt securities issued	-	-	1,378,602	35,290,277	61,365,681	-	9,999,002	-	108,033,562
Other financial liabilities	961	13,554	913,817	2,208,701	9,111,426	1,181,844	36,997	237,282	13,704,582
Total financial liabilities	961	332,205,215	65,795,118	104,660,164	281,852,618	256,153,033	10,441,488	16,116,863	1,067,225,460
Net liquidity gap	33,867,086	(246,035,348)	25,781,896	(41,339,190)	(26,990,692)	110,035,405	185,248,951	39,363,822	79,931,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	36,804,062	-	-	-	-	-	50,529,919	87,333,981
Deposits and placements with banks and other financial institutions ⁽¹⁾	150,000	5,690,302	64,839,557	9,537,433	29,395,517	-	-	-	109,612,809
Financial assets at fair value through profit or loss	7,244,651	49,293,907	3,325,393	2,702,431	9,113,347	7,216,487	1,003,139	2,496,975	82,396,330
Financial assets at amortized cost	4,722,264	-	1,314,698	3,935,282	18,938,124	104,058,507	82,303,293	-	215,272,168
Financial assets at fair value through other comprehensive income	3,365,920	-	961,621	1,142,396	5,205,598	46,466,684	23,897,761	-	81,039,980
Loans and advances to customers	17,934,471	-	37,308,927	54,640,838	296,727,482	237,593,865	152,067,981	-	796,273,564
Other financial assets	780,631	-	916,803	31,233	141,738	361,857	80,255	-	2,312,517
Total financial assets	34,197,937	91,788,271	108,666,999	71,989,613	359,521,806	395,697,400	259,352,429	53,026,894	1,374,241,349
Financial liabilities:									
Due to central bank	-	-	2,362,104	7,291,407	10,994,557	-	-	-	20,648,068
Deposits from banks and other financial institutions ⁽²⁾	-	4,119,635	38,819,766	15,870,687	13,537,106	1,491,000	-	-	73,838,194
Financial liabilities at fair value through profit or loss	-	4,005	-	-	-	-	-	-	4,005
Customer deposits ⁽³⁾	-	324,645,433	26,461,794	76,259,154	213,045,107	263,835,779	205,490	19,059,727	923,512,484
Lease liabilities	-	-	20,713	41,427	174,637	527,438	103,535	-	867,750
Debt securities issued	-	-	11,150,000	43,190,000	58,116,700	5,306,800	10,663,400	-	128,426,900
Other financial liabilities	-	13,203	2,349,313	1,100,776	6,785,806	455,628	116,947	410,183	11,231,856
Total financial liabilities	-	328,782,276	81,163,690	143,753,451	302,653,913	271,616,645	11,089,372	19,469,910	1,158,529,257
Net liquidity gap	34,197,937	(236,994,005)	27,503,309	(71,763,838)	56,867,893	124,080,755	248,263,057	33,556,984	215,712,092

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	31,872,414	-	-	-	-	-	54,474,155	86,346,569
Deposits and placements with banks and other financial institutions ⁽¹⁾	281,585	17,170,899	59,449,976	4,712,371	26,459,216	-	-	-	108,074,047
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,951,995	10,350,178	18,013,236	10,601,695	1,304,209	1,079,971	92,732,266
Financial assets at amortized cost	1,828,392	-	1,383,285	6,056,328	17,419,687	108,030,732	40,518,264	-	175,236,688
Financial assets at fair value through other comprehensive income	2,837,611	-	298,711	477,855	5,746,063	42,706,340	20,874,460	-	72,941,040
Loans and advances to customers	20,241,229	-	29,581,645	57,103,680	239,070,822	256,178,163	135,124,215	-	737,299,754
Other financial assets	384,446	-	886,158	176,419	116,962	45,089	214,627	-	1,823,701
Total financial assets	33,868,047	86,179,511	97,551,770	78,876,831	306,825,986	417,562,019	198,035,775	55,554,126	1,274,454,065
Financial liabilities:									
Due to central bank	-	-	1,213,775	2,651,179	21,359,775	-	-	63,689	25,288,418
Deposits from banks and other financial institutions ⁽²⁾	-	6,069,018	36,601,252	11,922,840	15,838,542	-	-	-	70,431,652
Financial liabilities at fair value through profit or loss	-	5,619	-	-	-	-	-	-	5,619
Customer deposits ⁽³⁾	-	327,094,080	25,954,776	53,265,937	178,038,697	261,439,072	281,456	15,815,892	861,889,910
Lease liabilities	-	-	22,205	44,411	209,854	642,010	137,037	-	1,055,517
Debt securities issued	-	-	1,380,000	35,450,000	62,208,000	1,960,000	10,980,000	-	111,978,000
Other financial liabilities	961	13,554	916,646	2,232,771	9,217,162	1,195,334	36,997	237,282	13,850,707
Total financial liabilities	961	333,182,271	66,088,654	105,567,138	286,872,030	265,236,416	11,435,490	16,116,863	1,084,499,823
Net liquidity gap	33,867,086	(247,002,760)	31,463,116	(26,690,307)	19,953,956	152,325,603	186,600,285	39,437,263	189,954,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

- (1) Includes financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2022								
Credit commitments	20,706,036	5,298,241	12,958,175	62,163,786	82,115,172	51,519,347	-	234,760,757
31 December 2021								
Credit commitments	146,867,911	5,446,325	5,901,045	28,044,425	22,268,914	10,379,842	-	218,908,462

(c) Market risk

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

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies.

Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business. The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity.

A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, the actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk are not incorporated.

Currency	Exchange rate fluctuation %	Effect on net profit	
		2022	2021
USD	-1%	(9,855)	(30,208)
USD	1%	9,855	30,208
HKD	-1%	(1,508)	(22,570)
HKD	1%	1,508	22,570

While the table above indicates the effect on net profit of 1% change of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The table below summarizes the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by original currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2022	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	87,049,959	147,860	45,549	12,767	87,256,135
Deposits and placements with banks and other financial institutions ⁽¹⁾	107,392,878	805,435	264,852	244,776	108,707,941
Loans and advances to customers	668,202,128	915,738	-	-	669,117,866
Financial assets at fair value through profit or loss	81,974,528	-	-	-	81,974,528
Financial assets at amortized cost	196,517,323	-	-	-	196,517,323
Financial assets at fair value through other comprehensive income	70,945,255	-	-	-	70,945,255
Other financial asset	2,311,472	1,045	-	-	2,312,517
Total financial asset	1,214,393,543	1,870,078	310,401	257,543	1,216,831,565
Liabilities:					
Due to central bank	20,462,293	-	-	-	20,462,293
Deposits and placements from banks and other financial institutions ⁽²⁾	71,385,198	-	-	-	71,385,198
Financial liabilities at fair value through profit or loss	4,005	-	-	-	4,005
Customer deposits	909,560,696	555,721	109,354	259,261	910,485,032
Lease liabilities	783,156	-	-	-	783,156
Debt securities issued	124,580,525	-	-	-	124,580,525
Other financial liabilities	11,088,636	325	6	3	11,088,970
Total financial liabilities	1,137,864,509	556,046	109,360	259,264	1,138,789,179
Net assets and liabilities position	76,529,034	1,314,032	201,041	(1,721)	78,042,386
Credit commitments	234,742,698	18,059	-	-	234,760,757

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2021	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	85,776,083	344,977	128,482	15,447	86,264,989
Deposits and placements with banks and other financial institutions ⁽¹⁾	96,315,276	5,162,770	5,557,982	240,346	107,276,374
Loans and advances to customers	636,625,153	928,658	–	–	637,553,811
Financial assets at fair value through profit or loss	91,628,563	–	–	–	91,628,563
Financial assets at amortized cost	157,404,703	–	–	–	157,404,703
Financial assets at fair value through other comprehensive income	65,205,249	–	–	–	65,205,249
Other financial asset	1,822,745	956	–	–	1,823,701
Total financial asset	1,134,777,772	6,437,361	5,686,464	255,793	1,147,157,390
Liabilities:					
Due to central bank	24,859,889	–	–	–	24,859,889
Deposits and placements from banks and other financial institutions ⁽²⁾	69,918,205	–	–	–	69,918,205
Financial liabilities at fair value through profit or loss	5,619	–	–	–	5,619
Customer deposits	844,447,688	2,403,781	2,670,841	244,494	849,766,804
Lease liabilities	936,799	–	–	–	936,799
Debt securities issued	108,033,562	–	–	–	108,033,562
Other financial liabilities	13,697,997	311	6,272	2	13,704,582
Total financial liabilities	1,061,899,759	2,404,092	2,677,113	244,496	1,067,225,460
Net assets and liabilities position	72,878,013	4,033,269	3,009,351	11,297	79,931,930
Credit commitments	218,719,129	188,163	–	1,170	218,908,462

⁽¹⁾ Includes financial assets held under resale agreements.

⁽²⁾ Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit and equity.

	Effect on net profit		Effect on equity	
	31 December		31 December	
	2022	2021	2022	2021
Change in basis points				
+100bps	(1,310,082)	(1,225,622)	(2,348,074)	(1,547,002)
-100bps	1,310,082	1,225,622	2,626,878	1,682,245

The sensitivity of the net profit is the effect of a reasonable possible change in interest rates on the net profit for one year, in respect of the financial assets and liabilities held at the end of the reporting period. The effect on other comprehensive income is calculated by revaluing the year end portfolio of fixed-rate FVOCI financial assets, based on a reasonable possible change in interest rates.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are repriced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced in the mid of the respective bands; (ii) there are parallel shifts in the yield curve; (iii) there are no other changes in the portfolios of assets and liabilities. The Group considers that the assumptions do not reflect their capital utilisation and interest rate risk management policies. Therefore, the above impact may differ from the actual situation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Moreover, the above analysis is for illustration only and represents the effect of pro forma movements in net profit and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk.

	31 December 2022						Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Non-interest bearing	
Assets:							
Cash and deposits with central bank	83,908,657	-	-	-	-	3,347,478	87,256,135
Deposits and placements with banks and other financial institutions ⁽¹⁾	79,792,166	28,640,294	-	-	150,000	125,481	108,707,941
Loans and advances to customers	151,765,589	430,789,812	55,738,411	7,423,980	17,913,685	5,486,389	669,117,866
Financial assets at fair value through profit or loss	52,442,542	9,002,205	9,470,237	1,002,583	7,244,651	2,812,310	81,974,528
Financial assets at amortized cost	3,427,087	15,094,729	96,664,283	75,266,566	3,092,832	2,971,826	196,517,323
Financial assets at fair value through other comprehensive income	1,416,888	3,503,395	39,992,541	21,431,961	3,365,901	1,234,569	70,945,255
Other financial asset	-	-	-	-	-	2,312,517	2,312,517
Total financial asset	372,752,929	487,030,435	201,865,472	105,125,090	31,767,069	18,290,570	1,216,831,565
Liabilities							
Due to central bank	9,505,522	10,770,729	-	-	-	186,042	20,462,293
Deposits and placements from banks and other financial institutions ⁽²⁾	58,418,477	11,156,031	1,491,000	-	303,435	16,255	71,385,198
Financial liabilities at fair value through profit or loss	-	-	-	-	-	4,005	4,005
Customer deposits	425,253,095	209,072,726	256,899,493	199,991	-	19,059,727	910,485,032
Lease liabilities	54,921	165,742	503,890	58,603	-	-	783,156
Debt securities issued	53,664,252	57,481,963	2,999,330	9,999,142	-	435,838	124,580,525
Other financial liabilities	2,055,000	5,240,918	257,856	-	-	3,535,196	11,088,970
Total financial liabilities	548,951,267	293,888,109	262,151,569	10,257,736	303,435	23,237,063	1,138,789,179
Total interest sensitivity gap	(176,198,338)	193,142,326	(60,286,097)	94,867,354	31,463,634	(4,946,493)	78,042,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	31 December 2021						Non-interest bearing	Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue			
Assets:								
Cash and deposits with central bank	82,475,481	-	-	-	-	3,789,508	86,264,989	
Deposits and placements with banks and other financial institutions ⁽¹⁾	80,885,927	25,971,751	-	-	281,585	137,111	107,276,374	
Loans and advances to customers	116,038,686	415,818,518	77,550,227	7,905,151	20,241,229	-	637,553,811	
Financial assets at fair value through profit or loss	53,284,994	18,062,540	9,758,700	287,792	8,294,784	1,939,753	91,628,563	
Financial assets at amortized cost	6,164,921	14,181,480	96,095,432	36,862,632	1,828,392	2,271,846	157,404,703	
Financial assets at fair value through other comprehensive income	370,105	4,754,301	36,942,672	19,111,997	2,837,611	1,188,563	65,205,249	
Other financial asset	-	-	-	-	-	1,823,701	1,823,701	
Total financial asset	339,220,114	478,788,590	220,347,031	64,167,572	33,483,601	11,150,482	1,147,157,390	
Liabilities								
Due to central bank	3,852,422	20,943,778	-	-	-	63,689	24,859,889	
Deposits and placements from banks and other financial institutions ⁽²⁾	54,347,013	15,338,000	-	-	-	233,192	69,918,205	
Financial liabilities at fair value through profit or loss	-	-	-	-	-	5,619	5,619	
Customer deposits	404,344,538	174,890,665	254,441,919	273,790	-	15,815,892	849,766,804	
Lease liabilities	75,251	200,579	529,270	131,699	-	-	936,799	
Debt securities issued	36,668,879	60,959,143	-	9,999,002	-	406,538	108,033,562	
Other financial liabilities	5,150,000	5,386,000	191,836	-	-	2,976,746	13,704,582	
Total financial liabilities	504,438,103	277,718,165	255,163,025	10,404,491	-	19,501,676	1,067,225,460	
Total interest sensitivity gap	(165,217,989)	201,070,425	(34,815,994)	53,763,081	33,483,601	(8,351,194)	79,931,930	

(1) Includes financial assets held under resale agreements.

(2) Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

The Group's regulatory capital is managed by its financial department and consists of the followings:

- Common equity Tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional Tier 1 capital, including additional Tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including Tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets, including adjusting the composition of its on-balance and off-balance sheet assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management (Continued)

The Group follows the following capital management principles (Continued):

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 31 December	
	2022	2021
Net core tier 1 capital	69,847,686	71,617,718
Net tier 1 capital	80,065,872	81,845,779
Net capital	95,407,076	96,883,055
Risk-weighted assets	758,009,735	739,973,775
Core tier 1 capital adequacy ratio	9.21%	9.68%
Tier 1 capital adequacy ratio	10.56%	11.06%
Capital adequacy ratio	12.59%	13.09%

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	20,663,021	155,411	20,818,432
– Funds and other investments	51,314,331	–	9,841,765	61,156,096
Financial assets at fair value through other comprehensive income				
– Debt securities	–	65,294,800	264,616	65,559,416
– Other investments	–	–	5,385,839	5,385,839
Loans and advances at fair value through other comprehensive income	–	85,293,398	–	85,293,398
Total	51,314,331	171,251,219	15,647,631	238,213,181

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	43,386,171	60,175	43,446,346
– Funds and other investments	37,984,114	–	10,198,103	48,182,217
Financial assets at fair value through other comprehensive income				
– Debt securities	–	58,653,342	470,973	59,124,315
– Other investments	–	–	6,080,934	6,080,934
Loans and advances at fair value through other comprehensive income	–	91,762,237	–	91,762,237
Total	37,984,114	193,801,750	16,810,185	248,596,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables present the changes in Level 3 assets for the year ended 31 December 2022 and 2021:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2022	60,175	10,198,103	470,973	6,080,934	16,810,185
Purchase	50,045	1,189,658	–	–	1,239,703
Transfer to Level 3	90,769	–	–	–	90,769
Total gains and losses					
– Profit or loss	(45,578)	(951,000)	20	84,015	(912,543)
– Other comprehensive income	–	–	(24,119)	(140,514)	(164,633)
Settlement	–	(594,996)	(182,258)	(638,596)	(1,415,850)
At 31 December 2022	155,411	9,841,765	264,616	5,385,839	15,647,631

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2021	–	14,321,438	–	6,682,448	21,003,886
Purchase	60,175	3,812,799	470,973	–	4,343,947
Transfer to Level 3	–	–	–	–	–
Total gains and losses					
– Profit or loss	–	21,928	–	146,778	168,706
– Other comprehensive income	–	–	–	(452,492)	(452,492)
Settlement	–	(7,958,062)	–	(295,800)	(8,253,862)
At 31 December 2021	60,175	10,198,103	470,973	6,080,934	16,810,185

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	31 December 2022	31 December 2021		
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	155,411	60,175	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Funds and other investments	9,841,765	10,198,103	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Debt securities	264,616	470,973	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other investments	5,385,839	6,080,934	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	15,647,631	16,810,185		

During the years ended 31 December 2022 and 2021, there were no significant changes in the valuation techniques.

As at 31 December 2022 and 2021, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the years of 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments for which fair values are disclosed

As at 31 December 2022, financial assets and liabilities not presented at fair value on the consolidated statement of financial position 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 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" (31 December 2021: same).

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 31 December	
	2022	2021
Carrying amount:		
Financial assets at amortized cost	196,517,323	157,404,703
Debt securities issued	124,580,525	108,033,562
Fair Value:		
Financial assets at amortized cost	201,183,958	161,185,372
Debt securities issued	124,775,292	108,308,476

46 EVENTS AFTER THE REPORTING PERIOD

The Group has no material events that require additional disclosure in its financial statements for the year ended 31 December 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

47 STATEMENT OF FINANCIAL POSITION OF THE BANK

	31 December 2022	31 December 2021
ASSETS		
Cash and deposits with central bank	69,687,319	68,367,317
Deposits with banks and other financial institutions	4,862,098	9,734,255
Placements with banks and other financial institutions	40,472,014	30,183,956
Financial assets held under resale agreements	57,474,333	52,976,159
Loans and advances to customers	583,098,894	554,296,730
Financial investments		
– Financial assets at fair value through profit or loss	81,926,386	95,277,471
– Financial assets at fair value through other comprehensive income	52,923,889	50,041,878
– Financial assets at amortized cost	178,287,294	138,967,411
Investment in subsidiaries	7,875,329	7,679,435
Property and equipment	1,813,564	1,591,458
Deferred tax assets	9,152,456	6,792,182
Other assets	4,914,056	5,023,095
Total assets	1,092,487,632	1,020,931,347
LIABILITIES		
Due to central bank	18,900,708	22,510,180
Deposits from banks and other financial institutions	40,474,301	43,881,980
Placements from banks and other financial institutions	2,000,051	800,051
Financial liabilities at fair value through profit or loss	4,005	5,619
Financial assets sold under repurchase agreements	27,960,716	24,971,420
Customer deposits	793,678,213	737,225,520
Income tax payable	1,445,723	708,526
Debt securities issued	124,580,525	107,005,472
Other liabilities	5,977,494	7,010,059
Total liabilities	1,015,021,736	944,118,827
EQUITY		
Share capital	11,451,269	11,451,269
Preference shares	9,820,734	9,820,734
Reserves	38,556,724	37,669,139
Retained earnings	17,637,169	17,871,378
Total equity	77,465,896	76,812,520
Total liabilities and equity	1,092,487,632	1,020,931,347

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

48 RESERVES OF THE BANK

The movements in reserves and retained profits of the Bank during the years 2022 and 2021 are set out below:

	Capital reserve	Surplus reserve	Reserves		Total	Retained profits
			General reserve	Other comprehensive income		
Balance at 1 January 2021	11,000,561	4,961,236	11,858,815	(214,607)	27,606,005	19,285,722
Net profit for the year	-	-	-	-	-	2,942,838
Other comprehensive income for the year	-	-	-	244,635	244,635	-
Contribution of shareholders	8,019,981	-	-	-	8,019,981	-
Shareholders' donation	9,254	-	-	-	9,254	-
Appropriation to surplus reserve	-	294,284	-	-	294,284	(294,284)
Appropriation to general reserve	-	-	1,494,980	-	1,494,980	(1,494,980)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,961,654)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(606,264)
Balance at 31 December 2021	19,029,796	5,255,520	13,353,795	30,028	37,669,139	17,871,378
Balance at 1 January 2022	19,029,796	5,255,520	13,353,795	30,028	37,669,139	17,871,378
Net profit for the year	-	-	-	-	-	3,002,970
Other comprehensive income for the year	-	-	-	(532,474)	(532,474)	-
Contribution of shareholders	-	-	-	-	-	-
Shareholders' donation	5,636	-	-	-	5,636	-
Appropriation to surplus reserve	-	300,297	-	-	300,297	(300,297)
Appropriation to general reserve	-	-	1,114,126	-	1,114,126	(1,114,126)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,202,383)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(620,373)
Balance at 31 December 2022	19,035,432	5,555,817	14,467,921	(502,446)	38,556,724	17,637,169

49 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity Ratio

	As at 31 December 2022	As at 31 December 2021
Liquidity ratio (RMB and foreign currency)	101.76%	93.15%

(2) Liquidity coverage ratio

	As at 31 December 2022	As at 31 December 2021
High-quality liquid assets	197,809.16	179,797.52
Net cash outflows in future 30 days	47,182.72	55,247.03
Liquidity coverage ratio (%)	419.24%	325.44%

(3) Net stable funding ratio

	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
Available stable funds	782,474.68	774,686.81	780,396.12
Required stable funds	650,511.46	662,440.21	638,737.81
Net stable funding ratio	120.29%	116.94%	122.18%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

2. CURRENCY CONCENTRATION

	As at 31 December 2022			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,864.92	310.40	297.60	2,472.92
Spot liabilities	1,795.10	310.40	297.60	2,403.10
Net long/(short) position	69.82			69.82

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. CURRENCY CONCENTRATION (CONTINUED)

	As at 31 December 2021			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	6,774.19	5,688.63	280.16	12,742.98
Spot liabilities	6,710.27	5,688.63	280.16	12,679.06
Net long/(short) position	63.92	–	–	63.92

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 31 December 2022 and 31 December 2021.

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. 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.

	As at 31 December 2022		Total
	Banks and other financial institutions	Non-bank private institutions	
Asia Pacific	2,201.86	914.73	3,116.59
of which attributed to Hong Kong	585.96	–	585.96
North and South America	252.10	–	252.10
Europe	13.91	–	13.91
Oceania	6.53	–	6.53
Total	2,474.40	914.73	3,389.13

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3. INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2021		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	10,880.91	926.58	11,807.49
of which attributed to Hong Kong	5,871.54	–	5,871.54
North and South America	892.88	–	892.88
Europe	11.50	–	11.50
Oceania	25.11	–	25.11
Total	11,810.40	926.58	12,736.98

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.grcbank.com). The 2022 annual report prepared in accordance with the IFRSs and the Listing Rules will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.grcbank.com), and will be dispatched to the holders of H Shares of the Bank in due course.

This annual results announcement is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

By Order of the Board
Guangzhou Rural Commercial Bank Co., Ltd.*
Cai Jian
Chairman

Guangzhou, the PRC
March 31, 2023

As at the date of this announcement, the Board comprises one executive director, namely Mr. Cai Jian; six non-executive directors, namely Mr. Da Hengcheng, Mr. Zuo Liang, Ms. Feng Kaiyun, Mr. Zhang Junzhou, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and six independent non-executive directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Weiguo, Mr. Zhang Hua and Mr. Ma Hok Ming.

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