



2022
ANNUAL REPORT



IMPORTANT NOTICE

i. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of Hua Xia Bank Co., Limited (the "Company") undertake that the information in this report is authentic, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liability thereto.

ii. The *Annual Report 2022 of Hua Xia Bank Co., Limited* and its Summary were reviewed and approved at the 33rd Meeting of the Eighth Board of Directors of the Company on 26 April 2023. 17 of the 17 directors that should attend the meeting were present actually. There were 17 valid votes. Directors and senior managers were present as non-voting attendees.

iii. Profit distribution plan for the reporting period that was reviewed by the Board of Directors:

With 15,914,928,468 ordinary shares outstanding of the Company at the end of 2022 as the base number, cash dividends will be distributed to all of the shareholders at RMB3.83 (before tax) per 10 shares. For details, please see "Section IV Corporate Governance".

iv. The 2022 Financial Statements of the Company have been audited by Ernst & Young Hua Ming LLP in accordance with Chinese auditing standards, with standard unqualified auditor's report being issued.

v. Li Minji, Chairman of the Board of Directors, Guan Wenjie, President, and Wang Xingguo, Principal of Financial Affairs of the Company, hereby warrant that the Financial Statements contained in the Annual Report are authentic, accurate and complete.

vi. Expressions related to the future business plan herein may constitute forward-looking statements, but they are not the Company's actual commitment to investors. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision, but should be fully aware of the risks and properly understand the differences between plan, forecast and commitment.

vii. Important risk notice: The Company has described the risks that may adversely affect the fulfillment of the Company's future development strategies and business objectives. Please refer to risk-related part in "Section III Management Discussion and Analysis".

Should there be any discrepancy between the English version and the Chinese Version, the latter shall prevail.



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LIST OF DOCUMENTS FOR INSPECTION:

1. Accounting Statements Bearing Seals and Signatures of the Legal Representative, President, and Principal of Financial Affairs.
2. Original of the Auditor's Report Bearing Common Seal of the Accounting Firm and Seals and Signatures of CPAs.
3. Original of the Annual Report Bearing the Signature of Chairman of the Company.
4. Originals of All Documents and Announcements Disclosed by the Company on the *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily* during the Reporting Period.
5. *Articles of Association of Hua Xia Bank Co., Limited.*

MESSAGE FROM CHAIRMAN



Chairman: Li Minji

As the wheel of history rolls forward, 2022 wrapped up as a year of extraordinary significance. The Communist Party of China (CPC) held its 20th National Congress in the year, drawing a grand blueprint for building China into a modern socialist country in all respects and advancing the rejuvenation of the Chinese nation on all fronts through Chinese modernization. The year also marked the 30th anniversary of Hua Xia Bank, a bank forging ahead amidst the tides of China's reform and opening-up. Time and tide wait for no man. At this milestone moment, we are not only pleased to see the leapfrog development and historic achievements we made in the past 30 years, but also deeply feel that we still have a long way to go before setting another 30-year mark and become a century-old brand.

Looking back with gratitude -

Hua Xia Bank experienced three stages in the past 30 years, moving from creating new practices of national joint-stock commercial banks to a new phase of reforming listed national joint-stock banks, and to a new era of building a modern "big and strong" financial service group that demonstrates "stability and excellence". Now Hua Xia Bank stands out as a domestic systemically important bank (D-SIB) with close to RMB4 trillion of assets, nearly 1,000 outlets and about 40,000 employees, ranked 46th among *The Banker's* Top 1000 World Banks. In the 30th year of the Bank, we have realized more than ever that every step of development, progress and achievement of Hua Xia Bank is a gift from this great era and attributable to the strong leadership of the Party and the government, to China's reform and opening up, and to the prosperity of the country and the people's yearning for a better life. Here in a salute to the great era, we also extend our deepest thanks to our customers who have grown together with the Company, and to our shareholders and friends from all sectors that have always provided strong support for us.

In the past 30 years, Hua Xia Bank kept in mind the inculcation of "running Hua Xia Bank well, invigorating fund circulation", stayed true to the original mission of serving economic and social development and functioning as an "experimental field" of reforms, and pursued the ideal of building a first-class modern commercial bank as a century-old brand. With an insight into the nature and law of finance, the Company remained committed to financially serving the country and the people, upheld Party leadership, unswervingly served the real economy, maintained prudent operation and made ongoing efforts on reform and innovation. The Company remained people-oriented, inherited the "Hua Xia" spirit and blazed a prudent, reformative and enterprising path of development with its own characteristics. The past 30 years not only laid a solid foundation for the Company's sustainable development, but also witnessed its participation in the remarkable great changes in China's economic and financial realms that will shine throughout history.

At this critical juncture, we managed to deliver "stable and improved performance with good momentum for growth" in 2022 despite a grim, complex business environment with a variety of tougher-than-expected challenges. The "stable" foundation was further cemented with solid scaling and improved quality of assets. The "improved" asset and liability structure and profit structure continued to consolidate the customer base. The "good momentum" for growth was further enhanced by unleashing vitality from reform, intensifying transition and innovation and keeping improving the capital base. Assets totaled RMB3,900.167 billion, up 6.09% from the end of the previous year. Net profit attributable to shareholders of the listed company reached RMB25.035 billion, up 6.37% over the end of the previous year. NPL ratio was 1.75%, down 0.02 percentage points from the end of the previous year. Allowance to NPLs stood at 159.88%, up 8.89% over the end of the previous year.

In 2022, we further consolidated our original role as a service provider.

In the year, Hua Xia Bank was deeply rooted in the rich soil of the real economy, targeting its credit resources at the key areas and weaker links of economic and social development. On the basis of commercial sustainability, Hua Xia Bank vigorously supported the transformation and upgrading of the manufacturing industry and the development of strategic emerging industries, improved the financial services for private economy and micro and small businesses (MSBs), and increased the financial supply for areas such as carbon emission reduction, technological innovation and equipment renovation and transformation. We upgraded the consumer finance system, strengthened financial services for rural revitalization, fueled the rapid growth of medium- and long-term loans to manufacturing, and accelerated the development of inclusive finance, green finance and consumer finance, effectively providing a lifeline to the real economy. Outstanding green loans were RMB247.035 billion, up 18.49% from the end of last year, representing a growing share in total loans. Outstanding MSB loans under the "two no-less-than" criteria amounted to RMB160.904 billion, up 16.56% from the end of the previous year. 670,140 customers had outstanding loans with the Company, up 5.58% from the end of last year. Outstanding personal consumption loans stood at RMB86.595 billion, up 28.74% from the end of last year. The Company accumulatively issued RMB13.231 billion of targeted assistance loans (including loans to people lifted out of poverty), and provided financing services for 383,462 people lifted out of poverty.

In 2022, we were more determined to operate prudently. In the year, Hua Xia Bank enhanced the strategic orientation of protecting the bank with risk control, staying true to the principle of compliance and prudence and highlighting the philosophy that risk management creates value. The quantitative transmission mechanism for risk appetite was improved, the system of credit policies and strategies was deepened, the quality and efficiency of credit approval were further enhanced, the post-lending/investing management was stringently conducted and the quality and efficiency of NPA disposal were improved. Risk control was further digitalized, risk culture development was strengthened and the internal control compliance management system was optimized, thus further refining the risk governance framework and effectively making risk prevention more forward-looking and precise. Asset quality indicators showed continued improvements. At the end of the reporting period, the Group recorded 2.78% and 1.87% in ratio of special mention loans and overdue loans respectively, down 0.32 percentage points and 0.01 percentage points from the end of the previous year, respectively. The ratio of the Group's loans overdue for more than 90 days to NPLs was 79.10%. The Bank strengthened its risk resilience and sustainability, with RMB30 billion of Tier 2 capital bonds issued and RMB8 billion of shares privately placed, pushing higher all capital adequacy ratios when compared to the end of the previous year.

In 2022, we stood firmer for transition and innovation. In the year, Hua Xia Bank maintained strategic resolve to accelerate strategic transition in digitalization, retail banking, corporate banking and financial market business and further empowered development with mechanism, technology and research, taking transition and innovation to a new level. Digital transition gained pace across the board. The basic data capacity was significantly enhanced, industrial finance took the lead in making digital breakthroughs, digital operations went deeper and the FinTech capacity steadily improved. The spending on technology increased by 16.39% year-on-year, with RMB52.178 billion added in digital lending under industrial digital finance. Retail banking was digitally transformed more effectively. The personal pension business was launched, the retail banking was further

digitally transformed and a complete value chain of mega wealth management was created. The balance of personal loans (excluding credit cards) and the balance of personal deposits increased by 10.46% and 22.75% year-on-year, respectively. Corporate banking transformation was furthered. Total financing to corporate customers was centrally managed. As the integrated financial service model of “commercial banking + investment banking” was deepened, the transaction banking and investment banking business gained pace, with the latter expanding in size by 31.44% year-on-year. Financial market business transition gained steam. The financial market product offerings were enriched and the capacity of investment and trading kept improving, sharpening a new edge for development.

In 2022, we further consolidated value creation. In the year, Hua Xia Bank firmly adhered to the path to capital-efficient development and implemented eight key projects regarding regional strategies, structural adjustments, system and mechanism reform, organizational efficiency enhancement and professional skills improvement, among others, toward the core goal of value creation, following the underlying logic of market development and customer management. Hua Xia Bank further strengthened differentiated development and fine-grained management in a more market-oriented, specialized fashion by optimizing the asset structure, liability structure, income structure and regional structure, deepening the reform of risk management, incentives and constraints, strategy management, smart operation and diversified operation mechanisms, promoting contract-based tenure management, standardizing the management of professional managers of subsidiaries and building a group-wide system of professional skill development. Total deposits exceeded RMB2 trillion, up 8.38% year-on-year. Net non-interest income grew by 19.98% over the previous year, with its share in total income increasing by 3.83 percentage points from a year ago. The Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area saw rapid growth in total profit, delivering steadily growing contributions.

Embarking on a new journey -

The year 2023 came as the first year to fully implement the spirit of the 20th National Congress of the CPC, also marking Hua Xia Bank's entry into a stage of high-quality development in every respect. The world now is undergoing seismic changes not seen for a century at a faster pace. The only thing that is constant is change. Meanwhile, Hua Xia Bank finds its own development unbalanced and inadequate. To improve is to change; to be perfect is to change often. Hua Xia Bank will take the pulse of financial work in the new era, keep the strategies unswerving and the tactics flexible, identify, respond to and make changes in a more proactive manner, and focus on quantity and quality. With a focus on both development and security, the Bank will work hard on digital transformation, wealth management banking and diversified operation in pursuit of a bigger size and, what's more important, higher quality. We will have basic work well done in terms of customers, products, channels, data and technology, implement strategies to make further breakthroughs and achieve fresh progress in higher-quality development.

We will boost the momentum for higher-quality development. Hua Xia Bank will accelerate the four strategic transitions. More specifically, digital transition will focus on promoting the use of digital scenarios, unleashing the vitality of digital innovation and mining the value of data. Retail banking transition will focus on enhancing the fine-grained management of customers, improving the wealth management ecosystem and strengthening the support for retail

products. Corporate banking transition will focus on switching growth drivers, optimizing marketing modes, and making solid and refining the work to take deposits. Financial market business transition will focus on rationalizing asset allocation, scaling up transactions, diversifying investment portfolios and strengthening efforts to create asset organizations. We will accelerate restructuring to improve the structure of profit growth, strengthen asset and liability management and use capital more efficiently.

We will stabilize the lines of defense for higher-quality development. Hua Xia Bank will continue to improve its capability of comprehensive risk management, enhance risk analysis and identification, strengthen risk control and prevention, deepen the lifecycle management of assets and consolidate asset quality control. The risk management system will be improved by refining the risk appetite transmission mechanism, deepening industry research and streamlining approval management. Digital risk control will be enhanced by creating an enterprise-level credit, investment and financing business platform, implementing risk profiling and building a special asset management platform. The Company will keep improving the capacity of internal control and compliance management, deepen the compliance culture, optimize the internal control and compliance management system and foster a sound atmosphere of proactive and substantive compliance across the board.

We will fortify the foundation for higher-quality development. Hua Xia Bank will continue to improve the group-wide management systems and mechanisms and deepen the diversified operation of the group. The operating synergy mechanism will be improved to shape a “customer-centric” integrated management mechanism. The incentive and restraint mechanism will be improved to enhance its market orientation and assessment stringency, highlighting development priorities, differentiation and reflection of changes. The differentiated development mechanism will be refined to boost synergistic regional coordination by unleashing the leading role of branches in the three “Three Regions” and the supporting role of “Two Lines” and “Multiple Points” branches with local characteristics. Hua Xia Bank will continue to strengthen capacity building in market development and research, further build the research system and mechanism, innovate working methods and strengthen technological support to sharpen the competitive edge.

As a Chinese poetry goes, “we must keep up even though the road ahead is long, and walking through a desolate landscape is a beautiful sight”. Hua Xia Bank will, with the company, trust and support from shareholders and the general public, carry forward its 30-year heritage in the new journey ahead in a more mature, steady, confident and open manner. In pursuit of excellence with persistence and diligence, we at Hua Xia Bank will strive to create more value for investors and customers, and make greater contribution to the Chinese modernization.

Chairman: Li Minji

26 April 2023

SECTION I DEFINITIONS

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

The Group	Hua Xia Bank Co., Limited and its subsidiaries
The Company, the Bank, Hua Xia Bank	Hua Xia Bank Co., Limited
CBRC, CBIRC	China Banking Regulatory Commission, China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
MOF	Ministry of Finance of the People's Republic of China
RMB yuan	Renminbi, the lawful currency of PRC
Beijing-Tianjin-Hebei Region	Region where the Head Office and the following tier one branches of the Group are located: Beijing, Tianjin, Shijiazhuang, Tianjin FTZ and Beijing Municipal Administrative Center
Yangtze River Delta	Region where the following tier one branches of the Group are located: Nanjing, Hangzhou, Shanghai, Wenzhou, Ningbo, Shaoxing, Changzhou, Suzhou, Wuxi, Hefei and Shanghai FTZ
Guangdong-Hong Kong-Macao Greater Bay Area	Region where the following tier one branches of the Group are located: Shenzhen, Guangzhou, Hong Kong and Haikou
Central and Eastern China	Region where the following tier one branches of the Group are located: Jinan, Wuhan, Qingdao, Taiyuan, Fuzhou, Changsha, Xiamen, Zhengzhou and Nanchang
Western China	Region where the following tier one branches of the Group are located: Kunming, Chongqing, Chengdu, Xi'an, Urumqi, Hohhot, Nanning, Yinchuan, Guiyang, Xining and Lanzhou
Northeastern China	Region where the following tier one branches of the Group are located: Shenyang, Dalian, Changchun and Harbin
Subsidiaries	Beijing Daxing Hua Xia Rural Bank Co., Ltd., Kunming Chenggong Hua Xia Rural Bank Co., Ltd., Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd., Huaxia Financial Leasing Co., Ltd., Huaxia Wealth Management Co., Ltd.
Huaxia Wealth Management	Huaxia Wealth Management Co., Ltd.



SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2.1 COMPANY PROFILE

2.1.1 Legal name in Chinese: 华夏银行股份有限公司

Chinese abbreviation: 华夏银行

Legal name in English: HUA XIA BANK CO., Limited

2.1.2 Legal representative: Li Minji

2.1.3 Secretary to the Board: Song Jiqing

Securities affairs representative: Wang Dawei

Address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing

Postal code: 100005

Tel: 010-85238570, 85239938

Fax: 010-85239605

Email: zhdb@hxb.com.cn

2.1.4 Registered place: 22 Jianguomennei Street, Dongcheng District, Beijing

Business address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing

Postal code: 100005

Website: <http://www.hxb.com.cn>

Email: zhdb@hxb.com.cn

Historical change of registered address: In April 2005, the Company's registered address was changed from No. 111, Xidan Beidajie, Xicheng District, Beijing to 22 Jianguomennei Street, Dongcheng District, Beijing.

2.1.5 Newspapers and website for disclosure of the annual report: *China Securities Journal* (www.cs.com.cn)

Shanghai Securities News (www.cnstock.com)

Securities Times (www.stcn.com)

Securities Daily (www.zqrb.cn)

Website of the stock exchange for disclosure of annual report: <http://www.sse.com.cn>

Locations where copies of the annual report are kept: Office of the Board of Directors of the Company

2.1.6 Place where share is listed: Shanghai Stock Exchange

Stock name of ordinary A-share: 华夏银行

Stock code of ordinary A-share: 600015

Stock name of preference share: 华夏优1

Stock code of preference share: 360020

2.1.7 Other relevant information:

Name of depository of shares of the Company: Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

Name of accounting firm the Company engaged: Ernst & Young Hua Ming LLP

Business address: 19/F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing, China

Signed CPAs: Zhang Fan, Sun Lingling

Sponsor institution for continuous supervision: CSC Financial Co. Ltd.

Business address: 9/F, Tower B, Metro World Center, No. 2 Chaonei Avenue, Dongcheng District, Beijing

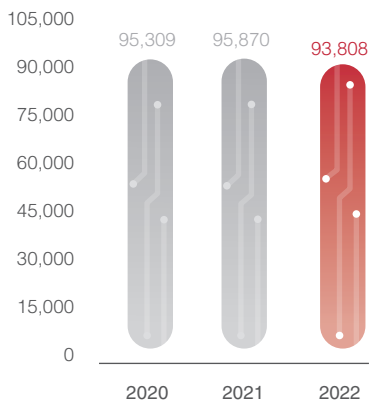
Signed sponsor representatives: Sui Yuyao, Lv Xiaofeng

Period of continuous supervision: 18 October 2022 to 31 December 2023

2.2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

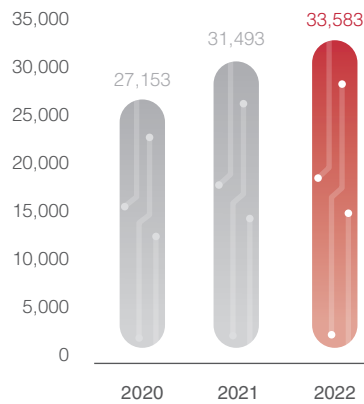
Operating revenue

(Unit: RMB1 million)



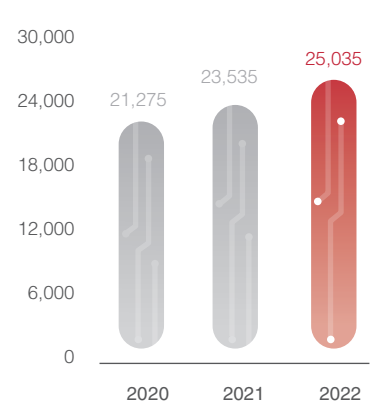
Total profit

(Unit: RMB1 million)



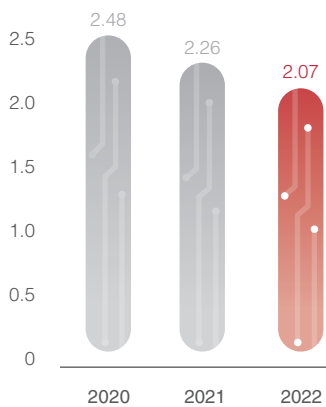
Net profit attributable to shareholders of the listed company

(Unit: RMB1 million)



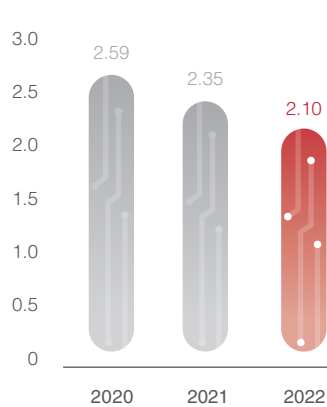
Net interest spread

(Unit: %)



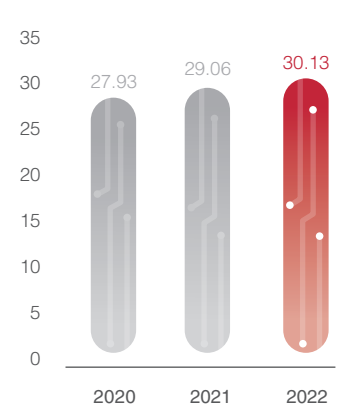
Net interest margin

(Unit: %)



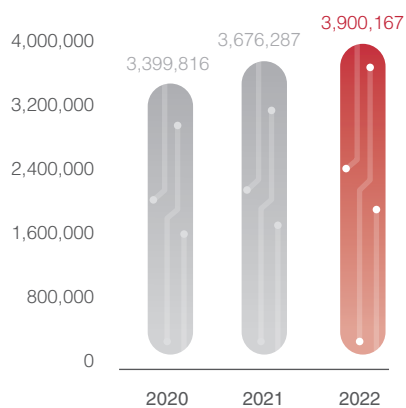
Cost-to-income ratio

(Unit: %)



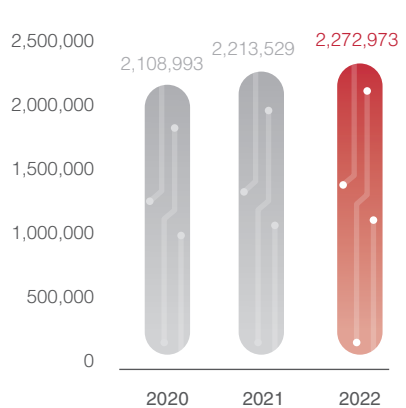
Total assets

(Unit: RMB1 million)



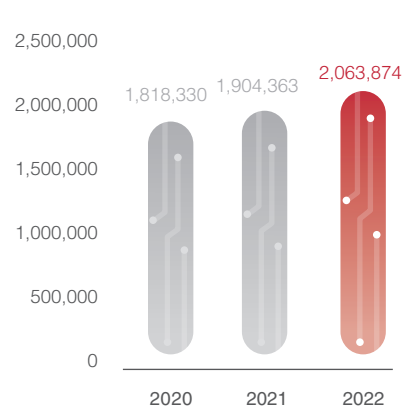
Total loans

(Unit: RMB1 million)



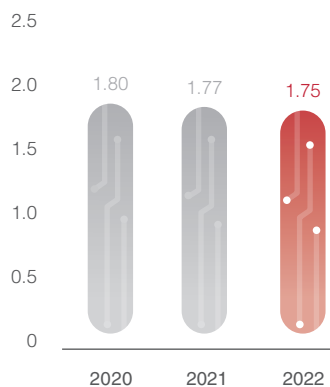
Total deposits

(Unit: RMB1 million)



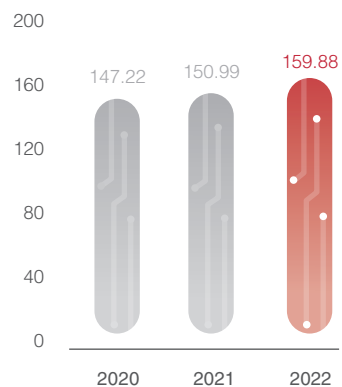
NPL ratio

(Unit: %)



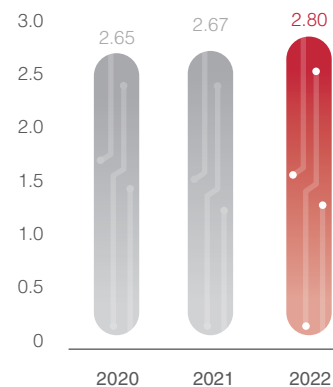
Allowance to NPLs

(Unit: %)



Allowance to total loans ratio

(Unit: %)



(Unit: RMB1 million)

Item	2022	2021	Increase/decrease compared with previous year (%)	2020
Main accounting data				
Operating revenue	93,808	95,870	-2.15	95,309
Operating profit	33,695	31,538	6.84	27,151
Total profit	33,583	31,493	6.64	27,153
Net profit attributable to shareholders of the listed company	25,035	23,535	6.37	21,275
Net profit attributable to shareholders of the listed company after deduction of extraordinary profit and loss	25,134	23,577	6.60	21,300
Net cash flows from operating activities	78,975	71,015	11.21	34,759
Major financial indicators				
Basic earnings per share (in RMB)	1.43	1.35	5.93	1.20
Diluted earnings per share (in RMB)	1.43	1.35	5.93	1.20
Basic earnings per share after deduction of extraordinary profit and loss (in RMB)	1.44	1.35	6.67	1.20
Net cash flow per share from operating activities (in RMB)	4.96	4.62	7.36	2.26
Profitability (%)				
Weighted average return on equity	9.00	9.04	Down 0.04 percentage points	8.64
Weighted average return on net assets after deduction of extraordinary profit and loss	9.04	9.06	Down 0.02 percentage points	8.65
Return on assets	0.67	0.67	Flat	0.67
Return on capital	8.17	8.19	Down 0.02 percentage points	7.81
Net interest spread	2.07	2.26	Down 0.19 percentage points	2.48
Net interest margin	2.10	2.35	Down 0.25 percentage points	2.59
Cost-to-income ratio	30.13	29.06	Up 1.07 percentage points	27.93

(Unit: RMB1 million)

Item	End of 2022	End of 2021	Increase/decrease compared with the end of previous year	End of 2020
Scale indicators				
Total assets	3,900,167	3,676,287	6.09	3,399,816
Of which: Total loans	2,272,973	2,213,529	2.69	2,108,993
Total liabilities	3,576,845	3,375,585	5.96	3,117,161
Of which: Total deposits	2,063,874	1,904,363	8.38	1,818,330
Net assets attributable to shareholders of the listed company	320,457	298,292	7.43	280,613
Net assets attributable to ordinary shareholders of the listed company	260,486	238,321	9.30	220,642
Net assets per share attributable to ordinary shareholders of the listed company (in RMB)	16.37	15.49	5.68	14.34
Asset quality indicators (%)				
NPL ratio	1.75	1.77	Down 0.02 percentage points	1.80
Allowance to NPLs	159.88	150.99	Up 8.89 percentage points	147.22
Allowance to total loans ratio	2.80	2.67	Up 0.13 percentage points	2.65

Notes:

1. Relevant indicators are calculated according to the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss (2008)* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 Revision)*. The Company distributed a cash dividend totaling RMB936 million to preference shareholders in March 2022. The Company paid interest totaling RMB1,940 million to holders of perpetual bonds in June 2022. In October 2022, The Company issued 528 million ordinary shares (A-share) in a non-public offering, adding RMB7.995 billion to net assets. While calculating the basic earnings per share and the weighted average return on equity (ROE), the Company takes into account the distribution of dividend to preference shareholders, payment of interest on perpetual bonds and non-public issuance of ordinary shares.

2. Return on assets is calculated as net profit divided by the average of total assets at the beginning and end of the period.

3. Return on capital is calculated as net profit divided by the average of the total equity at the beginning and end of the period.

4. Net interest spread is the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

5. Net interest margin is calculated by dividing net interest income by the average balance of interest-generating assets.

6. According to the former CBRC's *Notice on Adjusting the Regulatory Requirements on Allowances for Loan Impairment Losses of Commercial Banks* (Y.J.F. [2018] No. 7), the regulatory policy of differentiated dynamic adjustment of allowances was practiced for joint – stock banks. At the end of the reporting period, the Group's allowance to NPLs and allowance to total loans ratio meet regulatory requirements.

2.3 MAJOR FINANCIAL DATA IN 2022 BY QUARTER

(Unit: RMB1 million)

Item	Q1	Q2	Q3	Q4
Operating revenue	24,000	24,452	24,511	20,845
Net profit attributable to shareholders of the listed company	5,626	5,904	5,546	7,959
Net profit attributable to shareholders of the listed company after deduction of extraordinary profit and loss	5,609	5,894	5,548	8,083
Net cash flows from operating activities	39,199	30,590	-40,255	49,441

2.4 OTHER MAIN REGULATORY INDICATORS

Item (%)	Regulatory value	End of 2022	End of 2021	End of 2020
Core tier 1 capital adequacy ratio	≥7.5	9.24	8.78	8.79
Tier 1 capital adequacy ratio	≥8.5	11.36	10.98	11.17
Capital adequacy ratio	≥10.5	13.27	12.82	13.08
Leverage ratio	≥4	6.76	6.95	7.25
Liquidity coverage ratio	≥100	150.11	138.15	133.07
Net stable funding ratio	≥100	108.61	107.83	105.10

Item (%)	Regulatory value	End of 2022	End of 2021	End of 2020
Loan-to-deposit ratio	RMB	93.81	101.02	101.56
	RMB equivalent	75.34	52.97	46.43
	RMB and foreign currency	93.35	99.19	99.95
Liquidity ratio	RMB	≥25	65.49	61.10
	RMB equivalent	≥25	303.33	161.26
	RMB and foreign currency	≥25	70.78	64.43
Loan concentration ratio of the largest single borrower	≤10	2.83	3.60	3.58
Loan concentration ratio of top 10 borrowers		14.31	17.35	16.54

Notes:

1. Core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, capital adequacy ratio, liquidity coverage ratio and net stable funding ratio were calculated on a consolidated basis under regulatory criteria.
2. Loan-to-deposit ratio, liquidity ratio, leverage ratio, percentage of loans to single largest borrower and percentage of loans to top 10 borrowers were calculated on an unconsolidated basis under the regulatory standards.
3. Percentage of loans to single largest borrower = Total loans to the largest borrower/total capital, net × 100%
Percentage of loans to top 10 borrowers = Total loans to top 10 borrowers/total capital, net × 100%

2.5 HONORS AND AWARDS



On 26 January 2022

The Company was named an "Excellent Settlement Member" and "Excellent Promoter of Innovative Business" by Interbank Market Clearing House Co., Ltd. in its 2021 annual assessment on high-quality development of central clearing and issuance, registration, custody and settlement services.



On 18 February 2022

The Company was awarded a full score in the Beijing Municipal Finance Bureau's announcement on financial statements of local financial enterprises, ranking first among 40 financial enterprises for two consecutive years and winning the "excellent" grade.



On 24 March 2022

The Company was awarded "Excellent Market Entity" and "Excellent Bill Payment Service Provider" in the 2021 Outstanding Institution Awards held by Shanghai Commercial Paper Exchange.



On 29 April 2022

The Company was named the "Best Inquiry-based Trading Institution of the Year" in the notice of Shanghai Gold Exchange in recognition of the outstanding members and workers of Shanghai Gold Exchange in 2021.



On 25 May 2022

The Company was rated as "excellent" for the sixth consecutive year by the Ministry of Finance in the 2021 comprehensive evaluation of non-tax revenue collection service for the central government.



On 17 June 2022

The Company won the “Outstanding Wealth Management Bank Award” and “Outstanding Private Banking Award” at the “2022 China Asset Management and Wealth Management Industry Summit & Second ‘Golden Reputation Award’ ceremony organized by Pystandard.



On 18 August 2022

At the 10th “IDC China Digital Finance Forum”, the Company’s “Big Data-based Risk Identification and Early Warning System (Dragon Shield System)” won the “Technology Application Scenarios Innovation Award in China Financial Industry”.



On 18 August 2022

The Company’s DNS case won the “Next-generation DNS Best Practice Case” Award at the 2022 Next-generation DNS Development Forum.



On 19 August 2022

At the 8th China Securitization Forum Annual Awards, the Company’s Longju Anying 2021 Series 1 Residential Mortgage Backed Security was awarded the “Up-rising Project of the Year”.



On 8 September 2022

The Company was honored as an “Outstanding Green Bank” in the green bank evaluation by the Green Credit Committee of China Banking Association.



On 26 September 2022

At the “2022 China Financial Innovation Forum and Online Press Conference on China’s Financial Innovation Achievements” organized by *The Banker*, the Company was named one of the “Top Ten Retail Banking Innovators” among national financial institutions for its “Innovation Case of Digital Retail Management Transformation Bringing New Growth Momentum”.



On 28 October 2022

The Company was awarded the “Annual Inclusive Finance Award” at the 2022 China Financial Development Forum and the 13th Golden Tripod Awards organized by the *National Business Daily*.



On 3 November 2022

The credit Card Center of our company was selected as one of the “Top 100 Service Brands in China 2022” at the 2022 (6th) China Customer Service Festival organized by the Customer Contact Center Branch of China Information Industry Association.



On 8 December 2022

At the “2022 Digital Finance Innovation Release Week and the 18th Annual Ceremony of Publicity Year” co-sponsored by China Financial Certification Authority (CFCA), Digital Finance Joint Publicity Year and cebnet.com.cn, the Company’s personal mobile banking won the “Best Diverse Innovation Award for Mobile Banking”, and its industrial digital finance won the “Best Business Innovation Award for Digital Finance”.



On 15 December 2022

The Company won the “Outstanding Contribution Award to Green Finance” in the 2022 Annual People’s Financial Brands Review held by *Beijing Evening News*.



On 28 December 2022

The Company was awarded the “Excellent Case of Banking Corporate Governance in 2022” at “the Second Annual Collection of Outstanding Banking Cases in 2022” organized by China Internet Information Center.



On 28 December 2022

The Company was named the “Beat Bank for Trade Finance” in the 12th annual selection of the Most Trusted Financial Service Providers for Chinese Economic and Trade Enterprises (Golden Trade Award) held by the *Trade Finance*.



On 30 December 2022

The Company was awarded the “Market Influence of the Year” (“Core Institutional Investor, Money Market Institutional Investor and Issuer of Interbank Certificates of Deposit”) and the “Market Innovation of the Year” (“CFETS Inter-bank Deposits and Bond Issuance”) by the China Foreign Exchange Trading System in its 2022 inter-bank RMB market evaluation.



On 30 December 2022

The Company won the Excellent Organization Award at the 2022 Ideological and Political Work and Cultural Development Research Results Awards in the National Financial System.



On 31 December 2022

The Company was named the “Outstanding Participant in Digital Supply Chain Financial Service Platform” in 2022 by the PBOC Clearing Center.



On 3 January 2023

In the ChinaBond members' business development quality evaluation results released by China Central Depository & Clearing Co., Ltd (CCDC), the Company won the “Outstanding Financial Bond Issuer” and “Top 100 Proprietary Settlement Members” in 2022.



On 10 January 2023

The Company was named the “Excellent Bond Investment Institution 2022” by Shanghai Stock Exchange at its Outstanding Bond Market Participants Awards 2022.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.1 BUSINESS OVERVIEW OF THE COMPANY

3.1.1 Main business of the Company

The Company was founded in October 1992 in Beijing and reorganized into a joint-stock company in April 1996. The Company launched its IPO and went public in September 2003 as China's fifth listed bank. As at the end of the reporting period, the Company had set up 44 tier one branches, 78 tier two branches and 987 outlets with 39,900 employees in 122 Chinese cities at prefecture level and above, forming a nationwide service network based on presence in economically central cities. Acting on its five-pronged development philosophy, namely "Innovative, Coordinated, Green, Open and Shared", the Company has defined its ultimate goal as serving the real economy and creating value for customers and shareholders. The Company provides corporate and institutional customers with professional, distinctive and comprehensive financial services, including deposits, loans, investment banking, trade finance, green finance, internet finance and cash management. The Company provides individual customers with diverse financial products and services, including deposits, consumer finance, debit card, credit card, wealth management, private banking, electronic banking and pension finance, to meet individuals' demand for comprehensive financial services. Aiming at operational compliance and innovative development, the Company has continuously pursued coordinated, stable development of financial market, asset management and asset custody, and improved the ability to serve the real economy and customers. Among the Top 1000 World Banks 2022 published by *The Banker* (UK) in July 2022, the Company ranked 46th by tier 1 capital and 59th by total assets.

3.1.2 Core competitiveness analysis

Staying on the track toward featured, digital, asset-efficient, professional, comprehensive and international development, the Company upholds the fundamental strategy of putting deposits at the heart of the bank, making it stronger with technology, competent employees and protecting it with risk control. The strategic transition in four segments, namely, digitalization, retail banking, corporate banking and financial market business, was implemented across the board. The regional strategy of "Three Regions, Two Lines and Multiple Points" was implemented with vigor and eight key projects including structural adjustment, risk management and institutional reform were implemented, so as to achieve harmony among quality, efficiency, structure, scale, speed and safety.

Strategic objectives are clear. With the aim of serving the real economy, forestalling financial risks and deepening financial reform, the Company plans its development in line with the financial development trends and its own resource advantages. The Company makes persistent efforts to consolidate the corporate banking as cornerstone with comprehensive financial services, develop the new driving force for the development of digital business and retail finance, foster new characteristics for the development of green finance and wealth management and build a new highland for development of branches in the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. We will move forward at a faster pace to build a colossal, competitive, outstanding modern financial group with stable operations.

Digital transition was carried out across the board. Focusing on the strategic goal of building a first-class smart eco-bank, the Company remained steadfast in transformation toward a mobile, smart, platform-based and open future, with customer experience and employee experience at the core. Taking reshaping the end-to-end customer journey as the main task and building on the data-driven, open ecosystem, agile innovation and middle-office capabilities, the Company formulated and implemented the action plan for digital technology transformation. The Company endeavored to promoting digital transition of business, consolidated the enterprise-level data foundation, cemented enterprise-level technological foundation, improved the organizational mechanism and supporting system, kept improving the enterprise-level digital capability and empowered business development with the ecosystem construction and scenarios. During the reporting period, the Company recorded a year-on-year growth of 10.15% in average monthly active users of personal mobile banking. As of the end of the reporting period, the number of users registered for the credit card "Splendid Life" APP grew by 33.33% year-on-year.

Business transformation achieved higher quality and efficiency. The Company remains market-oriented and customer-centric to further transform the retail finance, corporate banking and financial market business. Toward the strategic goal of building a wealth management bank with distinctive features, the retail banking transition was empowered by mechanisms, professionalism, technology and synergies. The development strategy of "innovation-driven, digital operation, scenario integration and sales breakthrough" was implemented to build a professional wealth management system. Toward the strategic goal of becoming a bank that provides professional, integrated financial services, the corporate banking has deepened the collaborative service model of "commercial banking + investment banking" to serve service industry upgrades and new growth driver industries and effectively boost the capacity of integrated financial services. Toward the strategic goal of becoming the best partner in interbank business, the financial market business was transformed to strengthen the financial institution customer management system, pursue capital-light development and comprehensively enhance the resource integration capacity and service capability. At the end of the reporting period, the Company's balance of personal loans (excluding credit cards) rose by 10.46% from the end of the previous year. The size of investment banking expanded by 31.44% year-on-year. The RMB and foreign currency-denominated treasury transactions (full scale) rose by 3.42% over the end of the previous year.

The differentiated regional development pattern has improved. The Company stays true to the differentiated development strategy "Three Regions, Two Lines and Multiple Points", putting focus on supporting faster transition and innovative development of the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area and fostering new growth drivers for business growth, efficiency enhancement and quality improvement. Branches in areas along the Beijing-Guangzhou rail line and Beijing-Shanghai rail line and other key areas stepped up differentiated development with local

characteristics, in a bid to create a development model commensurate with local economic structure, industry upgrading and residents' demand and shape a new development pattern of coordinated regional development led by branches in the "Three Regions" and supported by branches in "Two Lines and Multiple Points". At the end of the reporting period, the Company's branches in the Three Regions recorded a growth of 4.22% and 7.94% in balance of loans and deposits year-on-year, respectively, and an increase of 15.76% in regional profit for the year year-on-year.

The market-based operation mechanisms have been refined. Remaining oriented to market-based development, the Company further reformed the risk management mechanism, improved the strategy management mechanism and the diversified operation mechanism, refined the resource allocation mechanism oriented to value creation and improved a reasonable and effective intra-group collaboration mechanism, so as to create a digital, intensive, and integrated intelligent operations system, further unleash the vitality to innovate and the potential to create and boost the efficiency of operation and management across the board.

The brand culture has distinctive characteristics. The "sustainable and better" brand image has been further recognized. To fight for a "better" future in a "sustainable" way, the brand value continued to be enhanced. The brand framework was built in a coordinated fashion. The corporate brand management system was improved, with a focus on consolidating such key business brands as Longying Wealth Management, inclusive finance, green finance and wealth management, so as to make business brands more competitive. The Company actively implemented a corporate culture concept of integrity, conformity, efficiency and enterprising spirit, the Company created a "responsible, cooperative and innovative" cultural atmosphere to lay a solid foundation for enhancing brand influence.



Sustainable and Better

3.2 IMPLEMENTATION OF THE COMPANY'S DEVELOPMENT STRATEGIES

The Company remained guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully studied and implemented the guiding principles of the 20th CPC National Congress, earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, adhered to the general principle of pursuing progress while ensuring stability, applied the new development philosophy in full, in the right way, and in all fields of endeavor in the new development stage. The Company integrated itself into the new development pattern to serve it, made coordinated efforts on business transformation, structural adjustment, reform and innovation and risk prevention towards the goals and tasks set forth in the five-year development plan, and vigorously improved the ability to execute, collaborate and innovate. The strategic plan was effectively implemented in general.

Digital transition gained pace across the board. The digital transition work has been rolled out in an all-round way. A quality and efficiency management mechanism for key projects has been established and the innovation factory was built as the forefront of an agile and flexible organization in an effort to develop a digital talent system. Industrial digital finance took the lead in making breakthroughs, including creating digital products, building a commodity ecosystem, and developing an innovation fault-tolerant mechanism. Digital business operations were deepened, with online and offline payment channels integrated, the Quick Win project and the digital customer management system advanced, an enterprise-level process management system constructed and the robotic process automation (RPA) promoted across the board. The intelligent risk

control system was gradually improved by fully promoting the “Dragon Shield” enterprise big data-based risk identification and early warning system, developing an intelligent risk control system for industrial digital finance and building a self-regulatory sandbox system. The data infrastructure capacity was significantly enhanced by strengthening the quality control of source data, fortifying the capacity building on data management and improving the data quality control process. The FinTech capacity was steadily enhanced, with the data information middle-office put into production, the enterprise-level blockchain platform and privacy computing platform brought on line, the domestic full-stack cloud platform and cloud command center completed, the enterprise-level low-code platform built and promoted and the enterprise-level architecture construction furthered. During the reporting period, the Group’s IT investment reached RMB3.863 billion, representing a year-on-year increase of 16.39%. Digital lending under industrial digital finance recorded 1,666 new customers and RMB52.178 billion in new lending.

Retail banking was transformed more effectively. Customer management was deepened to accelerate the construction of the digital customer service system. The individual customer reward point redemption system was continuously optimized, a series of new marketing activities for individual customers were carried out, and the value-added service entitlements system for wealth management and private banking customers were continuously upgraded. The personal pension business was launched and the “Hua Xia Care” pension finance service brand was built. The wealth management and private banking business were systemically promoted by improving the product and service system, strengthening the supporting role of investment research and consulting, completing the value chain of mega wealth management and building a professional team. Increasingly added luster to the brand of “SME financial service provider”, the Company actively carried out the MSB financial services and improve the MSB service system in support of reopening of MSBs from the COVID-19 lockdowns. The credit card business maintained steady development with greater diversity of products, stronger effort to develop consumption scenarios, improved features of self-service channels and upgraded system of risk strategies. As at the end of the reporting period, the Company recorded RMB520.312 billion of personal loans (excluding credit cards), an increase of 10.46% over the end of the previous year. The balance of personal deposits was RMB474.425 billion, up 22.75% over a year ago. Total financial assets of individual customers reached RMB955.266 billion. Outstanding MSB loans under the “two no-less-than” criteria amounted to RMB160.904 billion, an increase of 16.56% over the end of the previous year. A total of 35,143,400 credit cards were issued, an increase of 12.04% over the end of the previous year.

Corporate banking transformation was furthered. Sectoral specialization was promoted. The “industry + customer” marketing was carried out in 18 fields of new growth drivers, will more lending to carbon reduction, sci-tech innovation, equipment upgrading and infrastructure in a bid to vigorously support manufacturers development. The corporate customer structure was adjusted, the hierarchical and classified marketing was strengthened and the “commercial banking + investment banking” integrated financial service model was furthered. The Company continued to develop “3-3-1-1” customers and dynamically managed the customer whitelist. The working mechanism for “tiered management, classified marketing and collaboration” was further improved. Investment banking enjoyed fast growth, ranking higher by size of underwritings. Innovative business gained pace and stronger efforts were made to build the investment banking mechanism Trade finance moved forward with platform-based, scenario-based, online and digital transformation. Green finance developed its unique edge by promoting green credit, green investment, green leasing and green consumption, developing an enterprise-level green finance data management mechanism and strengthening environmental and social risk management. At the end of the reporting period, the Company had 627,800 corporate accounts, an increase of 2.87% over the end of the previous year. The size of investment banking was RMB694.491 billion, an increase of 31.44% year-on-year. The balance of trade finance assets on and off the balance sheet stood at RMB743.061 billion, up 15.19% year-on-year.



¹ “3-3-1-1” customers broadly refers to the key targeted customer groups of the Company. The numbers stand for over 3,000 domestic A-share listed companies, over 300 high-quality local state-owned enterprises, about 100 centrally controlled businesses, and about 10,000 NEEQ-listed companies and a number of emergency industry leaders.

Transformation of the financial market business yielded measurable results. The financial market business pressed forward with its capital-light transition. Treasury operations saw continued improvements in the investment research capacity, the interbank cooperation maps were created and the bills business gained pace, manifesting a development pattern in which treasury operations, interbank business and bills business advanced neck and neck. The asset custody business was structurally improved, the mutual fund custody remained in the positive territory of growth and cross-border custody made breakthroughs. Custody services were digitally transformed faster to build and upgrade the smart customer service and smart operations platform. Hua Xia Wealth Management, focused on building “a premier wealth management factory”, strengthened asset creation and product issuance and upgraded the omni-channel product distribution system. Appropriate strategies for bank wealth management fund allocation were explored and the leading edge in ESG was further sharpened. During the reporting period, the Company’s RMB and foreign-currency treasury transactions (full scale) totaled RMB63,626.53 billion, up 3.42% from the previous year. The Company realized RMB3.366 billion of fee-based income from wealth management, a growth of 18.86% over the previous year.

The differentiated regional development strategy was furthered. To become “a lead bank serving the coordinated development of the Beijing-Tianjin-Hebei Region financially”, the Company focused its efforts on integrating into the local mainstream through business transformation and provided stronger financial support for the key enterprises, key projects and coordinated development projects in the Beijing-Tianjin-Hebei Region. The Company actively promoted the high-quality development of regional branches in the Yangtze River Delta, improved the regional integration mechanism, innovated the new financial service model for sci-tech innovation in the Yangtze River Delta, accelerated the construction of a new pattern of retail finance transition in the Yangtze River Delta, built a bridgehead for offshore business, accelerated the implementation of industrial digital finance and promoted green finance development in the Yangtze River Delta. Development gained steam in branches in the Guangdong-Hong Kong-Macao Greater Bay Area, with ongoing efforts made to develop an edge in retail banking, trade finance, financial market and FinTech. The financial services for infrastructure and green finance were intensified, and the “domestic + overseas” coordination was deepened to made breakthroughs in cross-border finance. During the reporting period, the Company’s outstanding loans to the Beijing-Tianjin-Hebei Region amounted to RMB560.897 billion, down 1.51% year-on-year. The outstanding loans to the Yangtze River Delta amounted to RMB661.87 billion, up 7.25% year-on-year. The outstanding loans to the Guangdong-Hong Kong-Macao Greater Bay Area stood at RMB242.127 billion, up 10.54% year-on-year.

The Company further integrated itself into Beijing’s big picture of development in the new era. Credit supply in Beijing was increased in support of Beijing-based enterprises. The Company played an active role in major projects in Beijing, registering an increase in both proportion and growth of credit granted in Beijing. To support another round of pilot reform in Zhongguancun and serve Beijing’s plan to build an international science and technology innovation center, the Company signed strategic cooperation agreements with Beijing Stock Exchange and the National Equities Exchange and Quotations Co., Ltd., stepped up support for specialized and sophisticated producers of new and unique products and optimized and upgraded the special sci-tech financial service products in Beijing. In serving Beijing’s drive for a Model City for Global Digital Economy, the Company actively participated in the digital infrastructure construction, promoted the use of digital RMB for all scenarios and innovatively developed industrial digital finance and consumer digital finance. In serving Beijing’s drive for an International Consumption Center and National Cultural Center, the Company participated in the “Beijing Consumption Season” event, helped develop the payment environment in key business areas, attractions and scenarios of the Beijing Winter Olympics and supported key cultural and tourism enterprises and projects in the capital city. The Company took an active part in building the “Two Areas” and “Three Platforms”, improved the physical presence in the “Two Areas”, vigorously developed cross-border financial services, actively participated in the 2022 China International Fair for Trade in Services and Financial Street Forum and sponsored the “2022 Zhongguancun Forum”.

The risk governance system was further improved. The long-term mechanism for comprehensive risk management was improved, a risk appetite quantification and transmission plan was formulated and implemented, the dynamic management of credit and investment/financing policies was strengthened and overall headway was made in the digital risk control transition and risk culture development. With proper responses to changes in internal and external situations, all risks were effectively controlled. The credit approval management was optimized, industry research and forecast were deepened, the differentiated and dynamic management of credit authorization were refined, a regular credit pre-examination mechanism was built and the post-investment/lending management was refined. Risk handling became significantly more effective and professional, thanks to enhanced lifecycle management of assets, steady progress in the pilot program on special assets and greater diversity of disposal. The internal control and compliance system was continuously improved. The Company improved the “grid-like” supervision and inspection system, kept abreast of the latest developments in regulatory rules and technological changes, identified and controlled compliance risks in a timely and effective manner, improved the anti-money laundering risk mechanism, strengthened swindle risk prevention and control, enhanced the use of technologies and developed cutting-edge compliance support tools, with the compliance management becoming increasingly systematic.

The market-based mechanisms have been created and improved in a faster pace. The incentive and restraint mechanism was improved and the assessment and distribution system with value creation at the core was deepened. The Company improved the strategy management mechanism, formulated the work plan for organizational adjustments for the Head Office, explored to establish a strategy execution, coordination and adjudication committee and promoted the development of a bank-wide research system and strategy management system. The diversified operation and subsidiary management were stepped up and work was commenced to develop an open banking system. The corporate governance and business management of subsidiaries were strengthened to further standardize the subsidiary management policies and procedures.

3.3 DISCUSSION AND ANALYSIS OF BUSINESS PERFORMANCE

3.3.1 External environment and industry developments

In 2022, the supply and demand mismatch still weighed on global economy and the Russia-Ukraine conflict sent the global inflation hotter again, leading to a significant global slowdown. China's economic recovery was still on a fragile footing amid the lingering triple pressures of shrinking demand, disrupted supply and weakening expectations. In the face of a volatile international environment and arduous domestic tasks of reform, development and stability, China intensified macro-control in response to the impact of unforeseen factors. In 2022, China achieved stable economic performance, with GDP reaching RMB121 trillion, representing an increase of 3% year-on-year.

Macro policies maintained counter-cyclical and cross-cyclical adjustments, with both the monetary aggregate and the monetary structure adjusted effectively. The proactive fiscal policy worked more efficiently in a targeted fashion, with targeted measures to improve the quality and efficiency of government bonds. VAT credit refunds were fast-tracked on a large scale, with local government bonds, especially special bonds, issued and their proceeds used at a faster pace. The prudent monetary policy was flexible and appropriate, guiding financial institutions to increase support for the real economy, especially MSBs, technological innovation and green development. The reserve requirement ratio was lowered twice for financial institutions, with the proportion of incentive funds increased for inclusive MSB lending facilities. Industry policies were promulgated frequently, with the real estate market in a sharp correction and the local governments' hidden debts strictly controlled.

Financial policies gave more priority to serving the real economy, forestalling and defusing financial risks and deepening financial reform. Due to the loan deferment for micro, small and medium-sized enterprises, the balance of inclusive MSB loans exceeded RMB23 trillion. Green and low-carbon transition was supported and rural revitalization was fueled. The agriculture-related financial supply system and mechanism were further optimized. Strong funding support was provided for advanced manufacturing, strategic new industries and specialized and sophisticated producers of new and unique products. Development was better coordinated with security, with special bond issuance fast-tracked to replenish the capital of smaller banks. Financial support was enhanced for ensuring the delivery of housing, people's livelihood and stability, and the financial stability guarantee system was cemented, rendering financial risks convergent in general. Financial reform was deepened to improve the modern financial enterprise system, popularize digital financial products and services and promote higher-standard opening-up of the financial industry in an orderly manner.

The banking sector was generally stable. The banking sector served the real economy with higher quality and efficiency, including serving technological innovation, manufacturing, green development and energy security, and enhancing inclusive financial services for MSBs, rural revitalization and employment, which effectively fortified the foundation for recovery of the real economy. Financial risks were effectively forestalled and defused by dealing with risks in key areas properly. The asset quality remained generally stable. With the capital strength and risk resilience improved steadily, the Company managed to forestall systemic risks. The banking operation quality and efficiency kept improving as the sector deepened reform and innovation, increased FinTech spending, promoted digital transition, refined the business landscape and intensified financial innovation.

3.3.2 Overview of the Bank's operating results

During the reporting period, the Company adhered to the general principle of pursuing progress while ensuring stability toward the strategic plan objectives, coordinated stabilizing growth with preventing risks and managed to fulfill all the work objectives and tasks with a steady boost to quality and efficiency.

The balance sheet expanded steadily. At the end of the reporting period, the Group's total assets reached RMB3,900.167 billion, an increase of RMB223.88 billion or 6.09% over the end of the previous year; total loans increased by RMB59.444 billion or 2.69% to RMB2,272.973 billion; and deposit balance increased by RMB159.511 billion or 8.38% to RMB2,063.874 billion.

The quality and efficiency of operations were boosted stably. First, the profit structure enjoyed ongoing optimization. During the reporting period, the net profit attributable to shareholders of the listed company stood at RMB25.035 billion, a year-on-year increase of RMB1.5 billion or 6.37%. The Company realized net non-interest income of RMB19.515 billion, a growth of RMB3.25 billion or 19.98% over last year. Net non-interest income was up 3.83 percentage points year-on-year. Second, capital strength was continuously enhanced. Risk resilience was further improved with RMB30 billion of tier 2 capital bonds issued and RMB8 billion of shares privately placed. Third, differentiated regional management was gradually deepened. With the differentiated management mechanism continuously improved, the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area steadily increased their contributions.

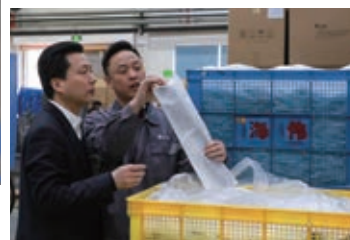
The quality and efficiency of serving the real economy were further enhanced. First, the Company shouldered the mission of serving Beijing as China's capital. In an all-out effort to serve the "Four Centers" drive of Beijing, the Company got deeply integrated in the coordinated implementation of Beijing's "five key projects" to promote high-quality development of the capital. Second, development of the manufacturing and strategic emerging industries was supported. The Company implemented the requirements for transmission of national macro-policies and monetary policies, prioritized development of the manufacturing industry, refined credit policies and optimized resource allocation, and increased the proportion of loans to manufacturing and strategic emerging industries. Third, the Company broadened access to and boosted quality of inclusive finance. The MSB finance guarantee mechanism was refined and the MSB interest cuts were effectively carried out. With the product innovation and smart risk control platform further built, the Company outperformed the regulatory target for "two no-less-than" loans, adding luster to the brand of "SME financial service provider". Fourth, the competitive edge of green finance was sharpened. In pursuit of business innovation and international cooperation, the Company became one of the major settlement banks for the national carbon emissions registration and settlement system and issued independent climate-related disclosure reports. Green loans expanded fast and fulfilled the "two no-less-than" objectives of green credit, taking up an increasing share in total loans. Fifth, as a responsible state-owned enterprise, the Company made targeted efforts to help market entities overcome difficulties. The Company strengthened financial assistance to enterprises through loan renewal, deferment and repayment facilitation, helped keep the real estate industry on the road to stable and healthy development, gave a boost to rural revitalization and solidly promoted assistance work, praised many times in the poverty alleviation assessment by the municipal state-owned assets authority.



Chongqing Branch visited new energy vehicle manufacturers



Shaoxing Branch supported the development of optoelectronics companies



Ningbo Branch served high-tech companies

Business transition gained pace. First, digital transition gained pace across the board. The transition work was fully unfolded, with innovation sped up and achievements made in data governance and application. The technological support firmed up as major projects were put into service and key programs gained pace to make breakthroughs. Industrial digital finance created new business models under an increasingly improved supporting mechanism. In an ongoing effort to build the mega operations system, the digital, intensive and integrated operations were fast-tracked. Second, corporate banking transformation was furthered. The number of "3-3-1-1" customers and business scale increased steadily, with financial services further deepened for the Head Office-level strategic customers and key central enterprise customers. Investment banking grew rapidly with an increasing contribution to innovative business. Third, retail banking was transformed more effectively. The balance of personal deposits kept growing, the proportion of personal loans increased and the personal financial assets continued to expand in size and improve in quality. The drive for wealth management banking made overall headway to offer a full range of products across the market based on growing professional service capabilities. The credit card consumer scenarios were enriched, with active accounts and interest-generating assets managed effectively. Fourth, transformation of the financial market business gained steam. The financial market business stayed the course of transaction transformation, non-interest income increased rapidly and investment and trading abilities improved. The asset custody business was structurally improved, with breakthroughs made in public REITs and cross-border custody, and revenue from public funds custody doubled in two years.

The comprehensive risk management capability was enhanced. First, the risk governance system was further improved. The quantitative transmission system for risk appetite began to take shape. The transition to digital risk control and risk culture development advanced on every front. The examination and approval work was more fruitful, with a multi-level system of credit strategies built for a full-fledged framework of credit authorizations. Second, asset quality continued to improve. The Company strengthened central planning and classified management of NPAs, strengthened organizational promotion and process control, and significantly improved the effectiveness and professionalism of risk management. Third, compliance management and audit supervision were increasingly effective. The "Compliance for Sustainability" campaign was thoroughly carried out to further strengthen internal control and compliance. Various audit supervisions were intensively carried out. With the digital auditing system built and the working mechanism for audit supervision and rectification deepened, the audit supervision and evaluation played an effective role.

3.4 INCOME STATEMENT ANALYSIS

During the reporting period, the Group realized net profit of RMB25.49 billion, a growth of RMB1.587 billion or 6.64% over the previous year.

(Unit: RMB1 million)

Item	2022	2021	Increase/ (decrease)	Growth (%)
Operating revenue	93,808	95,870	-2,062	-2.15
– Net interest income	74,293	79,605	-5,312	-6.67
– Net non-interest income	19,515	16,265	3,250	19.98
Operating expenses	60,113	64,332	-4,219	-6.56
– Tax and surcharges	1,053	1,028	25	2.43
– General and administrative expenses	28,264	27,863	401	1.44
– Impairment losses on credit and other assets	30,769	35,376	-4,607	-13.02
Net non-operating income and expenditure	-112	-45	-67	N/A
Total profit	33,583	31,493	2,090	6.64
Income tax	8,093	7,590	503	6.63
Net profit	25,490	23,903	1,587	6.64

Extraordinary profit and loss items and amounts

(Unit: RMB1 million)

Item	2022	2021	2020
Profit/loss from the disposal of assets	-3	-8	3
Government subsidies recorded in profit or loss	78	92	52
Other net operating income and expenses	-139	-88	-50
Total extraordinary profit and loss	-64	-4	5
Less: Income tax influence of extraordinary profit and loss	34	34	26
Extraordinary profit and loss, net	-98	-38	-21
Less: Influence of extraordinary profit and loss attributable to minority shareholders of the Company, net (after-tax)	1	4	4
Extraordinary profit and loss attributable to ordinary shareholders of the Company	-99	-42	-25

Note: The extraordinary profit and loss are identified and calculated in accordance with the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss (2008)*.

3.4.1 Operating revenue

During the reporting period, the Group recorded RMB93.808 billion in operating revenue, of which net interest income accounted for 79.20% and net non-interest income accounted for 20.80%. The table below sets out the composition of operating income of the Group in the past three years.

Item (%)	2022	2021	2020
Net interest income	79.20	83.03	86.00
Net fee and commission income	11.05	9.65	11.08
Other net incomes	9.75	7.32	2.92
Total	100.00	100.00	100.00

Breakdown of operating income by geography

(Unit: RMB1 million)

Regions	Operating income	Change compared with previous year (%)	Operating profit	Change compared with previous year (%)
Beijing – Tianjin – Hebei Region	34,223	-7.65	8,652	11.83
Yangtze River Delta	21,428	1.02	12,384	20.70
Guangdong – Hong Kong – Macao Greater Bay Area	6,364	0.25	3,218	8.83
Central and Eastern China	12,585	-3.17	1,013	-61.89
Western China	11,411	1.08	5,796	-9.03
Northeastern China	1,764	10.18	-1,469	N/A
Subsidiaries	6,038	11.55	4,103	48.93
Offset among segments	-5	N/A	-2	N/A
Total	93,808	-2.15	33,695	6.84

During the reporting period, there were no major changes in profit composition, principal operation and structure, or profitability of principal operation from the previous reporting period.

3.4.2 Net interest income

During the reporting period, the Group realized net interest income of RMB74.293 billion. The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities.

Interest-generating assets, interest-bearing liabilities and average interest rates

(Unit: RMB1 million)

Item	2022			2021		
	Average balance	Interest	Average interest rate (%)	Average balance	Interest	Average interest rate (%)
Interest-generating assets:						
Loans and advances to customers	2,223,454	107,894	4.85	2,120,134	108,726	5.13
Balances with central banks	175,279	2,570	1.47	180,879	2,621	1.45
Peer assets	219,643	4,816	2.19	197,178	4,911	2.49
Financial investments	916,982	36,035	3.93	885,926	36,583	4.13
Total interest-generating assets	3,535,358	151,315	4.28	3,384,117	152,841	4.52
Interest-bearing liabilities:						
Deposits taken	2,029,335	41,241	2.03	1,831,309	34,757	1.90
Due to central banks	122,998	3,626	2.95	138,621	4,151	2.99
Debt obligations payable	533,441	14,752	2.77	505,355	15,375	3.04
Peer liabilities and others	803,976	17,403	2.16	765,138	18,953	2.48
Total interest-bearing liabilities	3,489,750	77,022	2.21	3,240,423	73,236	2.26
Net interest income		74,293			79,605	
Net interest spread			2.07			2.26
Net interest margin			2.10			2.35

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors.

(Unit: RMB1 million)

Item	2022 over 2021		Total
	Scale change	Interest rate change	
Interest-generating assets:			
Loans and advances to customers	5,299	-6,131	-832
Balances with central banks	-81	30	-51
Peer assets	560	-655	-95
Financial investments	1,282	-1,830	-548
Change of interest income	7,060	-8,586	-1,526
Interest-bearing liabilities:			
Deposits taken	3,758	2,726	6,484
Due to central banks	-468	-57	-525
Debt obligations payable	854	-1,477	-623
Peer liabilities and others	962	-2,512	-1,550
Change of interest expenses	5,106	-1,320	3,786
Change of net interest income	1,954	-7,266	-5,312

3.4.2.1 Interest income

During the reporting period, the Group recorded RMB151.315 billion in interest income, down RMB1.526 billion or 1.00% from the previous year, mainly due to lower average rate of return on interest-generating assets.

(Unit: RMB1 million)

Item	2022	Percentage (%)	Change over the previous year (%)	2021
Interest income from loans and advances to customers	107,894	71.30	-0.77	108,726
Interest income from financial investments	36,035	23.82	-1.50	36,583
Interest income on due from central banks	2,570	1.70	-1.95	2,621
Interest income from interbank business	4,816	3.18	-1.93	4,911
Total	151,315	100.00	-1.00	152,841

Interest income from loans and advances to customers

The Group realized RMB107.894 billion of interest income from loans and advances to customers for the reporting period, a decrease of RMB832 million or 0.77% from last year, primarily because of a lower average rate of return on loans and advances to customers. The table below sets out the average balances and average interest rates of the Group's interest income from loans and advances to customers by business type and maturity structure.

By business type

(Unit: RMB1 million)

Category	2022			2021		
	Average balance	Interest income	Average interest rate (%)	Average balance	Interest income	Average interest rate (%)
Corporate loans	1,562,581	69,263	4.43	1,501,121	72,114	4.80
Personal loans	660,873	38,631	5.85	619,013	36,612	5.91
Total	2,223,454	107,894	4.85	2,120,134	108,726	5.13

Note: Corporate loans include discounted bills.

By maturity structure

(Unit: RMB1 million)

Category	2022			2021		
	Average balance	Interest income	Average interest rate (%)	Average balance	Interest income	Average interest rate (%)
General short-term loans	777,299	34,521	4.44	727,376	34,884	4.80
Medium and long-term loans	1,446,155	73,373	5.07	1,392,758	73,842	5.30
Total	2,223,454	107,894	4.85	2,120,134	108,726	5.13

Note: General short-term loans include discounted bills.

Interest income from financial investments

During the reporting period, the Group recorded RMB36.035 billion in interest income from financial investments, down RMB548 million or 1.50% from the previous year, mainly due to lower average rate of return on financial investments.

Interest income on due from central banks

The Group's interest income on due from central banks for the reporting period stood at RMB2.57 billion, a drop of RMB51 million or 1.95% from last year, mainly due to the decrease in balances with central banks.

Interest income from interbank business

During the reporting period, the Group recorded RMB4.816 billion in interest income from interbank business, down RMB95 million or 1.93% from the previous year, mainly due to the lower average rate of return on interbank business.

3.4.2.2 Interest expenses

During the reporting period, the Group recorded RMB77.022 billion in interest expenses, up RMB3.786 billion or 5.17% year-on-year, primarily because of the Group's expansion of interest-bearing liabilities at controlled cost.

Interest expenses on deposits taken

During the reporting period, the Group's interest expense on deposits taken was RMB41.241 billion, an increase of RMB6.484 billion or 18.66% over last year, mainly due to expansion in deposits at basically stable costs.

(Unit: RMB1 million)

Category	2022			2021		
	Average balance	Interest expense	Average interest rate (%)	Average balance	Interest expense	Average interest rate (%)
Corporate demand deposits	585,894	6,287	1.07	625,229	6,128	0.98
Corporate time deposits	1,009,379	25,777	2.55	842,062	20,757	2.47
Personal demand deposits	134,774	377	0.28	122,853	378	0.31
Personal time deposits	299,288	8,800	2.94	241,165	7,494	3.11
Total	2,029,335	41,241	2.03	1,831,309	34,757	1.90

Interest expenses on due to central banks

During the reporting period, the Group's interest expenses on amounts due to central banks were RMB3.626 billion, a decrease of RMB525 million or 12.65% from last year, mainly because of the decline in amounts due to central banks and a lower average cost ratio.

Interest expenses on debt obligations payable

During the reporting period, the Group recorded RMB14.752 billion in interest expenses on debt obligations payable, a decrease of RMB623 million or 4.05% over the previous year, mainly due to a lower average cost ratio of debt obligations payable.

Peer liabilities and other interest expenses

During the reporting period, the Group recorded RMB17.403 billion in interest expenses on peer liabilities and others, a decrease of RMB1.55 billion or 8.18% from the previous year, mainly due to the decline in average cost ratio of interbank liabilities.

3.4.3 Net non-interest income

(Unit: RMB1 million)

Item	2022	2021	Increase/ (decrease)	Growth (%)
Net fee and commission income	10,369	9,252	1,117	12.07
Investment loss/(gain)	6,247	4,068	2,179	53.56
Gains on changes in fair value	2,161	2,410	-249	-10.33
Exchange gains	144	325	-181	-55.69
Other operating income	546	169	377	223.08
Gains on asset disposal	-3	-8	5	N/A
Other income	51	49	2	4.08
Total	19,515	16,265	3,250	19.98

3.4.3.1 Net fee and commission income

During the reporting period, the Group realized net fee and commission income of RMB10.369 billion, a growth of RMB1.117 billion or 12.07% over last year, primarily because of the growth of credit committee fees.

(Unit: RMB1 million)

Item	2022			2021	
	Amount	Percentage (%)	% change	Amount	Percentage (%)
Bank card business	5,229	36.54	3.14	5,070	37.87
Agency business	4,707	32.90	9.19	4,311	32.20
Credit commitments	2,243	15.68	31.40	1,707	12.75
Custody and other fiduciary services	839	5.86	-28.96	1,181	8.82
Other business	1,291	9.02	15.37	1,119	8.36
Total fee and commission income	14,309	100.00	6.88	13,388	100.00
Less: Fee and commission expenses	3,940	-	-4.74	4,136	-
Net fee and commission income	10,369	-	12.07	9,252	-

3.4.3.2 Investment income, and gains on changes in fair value and exchange gain

During the reporting period, the Group recorded RMB8.552 billion in investment income, gains on changes in fair value and exchange gain, up RMB1.749 billion or 25.71% from last year, mainly due to increase in investment income on held-for-trading financial assets.

3.4.4 General and administrative expenses

During the reporting period, the Group recorded RMB28.264 billion in general and administrative expenses, a growth of RMB401 million or 1.44% over the previous year. It was mainly due to increase in depreciation and amortization expenses caused by continued expansion in the Group's IT investment. At the end of the reporting period, the cost-to-income ratio was 30.13%, a year-on-year increase of 1.07 percentage points.

(Unit: RMB1 million)

Item	2022			2021	
	Amount	Percentage (%)	% change	Amount	Percentage (%)
Staff remuneration and welfare	15,669	55.43	-0.41	15,733	56.47
Business expenses	8,215	29.07	0.76	8,153	29.26
Depreciation and amortization	4,380	15.50	10.13	3,977	14.27
Total	28,264	100.00	1.44	27,863	100.00
Cost-to-income ratio		30.13	Up 1.07 percentage points		29.06

3.4.5 Impairment losses on credit and other assets

During the reporting period, the Group's impairment losses on credit and other assets totaled RMB30.769 billion, a decrease of RMB4.607 billion or 13.02% from the previous year, mainly due to the drop in allowance for impairment losses on financial investments. The table below sets forth the composition of the Group's impairment losses on credit and other assets and the changes.

(Unit: RMB1 million)

Item	2022	2021	Increase/ (decrease)	Growth (%)
Loans and advances to customers	26,992	25,692	1,300	5.06
Financial investments	3,274	9,316	-6,042	-64.86
Interbank business	178	16	162	1,012.50
Projected liabilities	91	51	40	78.43
Others	234	301	-67	-22.26
Total	30,769	35,376	-4,607	-13.02

3.4.6 Income tax expense

(Unit: RMB1 million)

Item	2022	2021
Pre-tax profit	33,583	31,493
Income tax at statutory tax rate of 25%	8,396	7,873
Less: Tax effect of tax-exempt income	3,473	3,356
Less: Effect of different tax rates applicable to subsidiaries	407	235
Plus: Tax effect of non-deductible expense	3,577	3,308
Total	8,093	7,590

3.5 BALANCE SHEET ANALYSIS

3.5.1 Analysis of assets

As at the end of the reporting period, the Group recorded total assets of RMB3,900.167 billion, an increase of RMB223.88 billion or 6.09% from the end of the previous year, mainly due to increase in loans and advances to customers and financial investments. The table below shows the proportional mix of the Group's main asset items.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans and advances to customers	2,217,691	56.86	2,162,966	58.84
Financial investments	1,294,931	33.20	1,156,219	31.45
Cash on hand and balances with central banks	175,383	4.50	186,174	5.06
Due from and placements with banks and other financial institutions	75,511	1.94	100,966	2.75
Financial assets purchased under agreements to resell	58,442	1.50	18,390	0.50
Others	78,209	2.00	51,572	1.40
Total	3,900,167	100.00	3,676,287	100.00

Note: Including derivative financial assets, fixed assets, right-of-use assets, intangible assets, deferred income tax assets and other assets.

Overseas assets

At the end of the reporting period, the Group had RMB56.578 billion of overseas assets, accounting for 1.01% of total assets.

3.5.1.1 Loans and advances to customers

At the end of the reporting period, the Group recorded RMB2,272.973 billion in total loans and advances to customers, up RMB59.444 billion or 2.69% over the end of the previous year. For details of the Group's loans and advances to customers, please refer to the "Loan Quality Analysis" section in this chapter.

3.5.1.2 Financial investments

As at the end of the reporting period, the Group recorded RMB1,298.479 billion total financial investments, growing by RMB142.036 billion or 12.28% over the end of the previous year, mainly due to increase in the bond investment and financial institution asset management plans. The table below shows the proportional mix of the Group's financial investments by product.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Bond investment	777,295	59.86	703,515	60.83
Fund investments	147,778	11.38	128,811	11.14
Asset management plan of financial institutions	261,928	20.17	214,423	18.54
Beneficiary rights of assets and others	25,526	1.97	20,411	1.76
Certificates of deposit with banks and other financial institutions	23,263	1.79	4,344	0.38
Equity investment	7,131	0.55	6,924	0.60
Debt financing plans	55,558	4.28	78,015	6.75
Total	1,298,479	100.00	1,156,443	100.00
Plus: Accrued interest	13,467	–	13,220	–
Less: Allowances for impairment losses on debt investments	17,015	–	13,444	–
Total	1,294,931	–	1,156,219	–

Financial bonds held

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial bonds of policy banks	172,171	67.72	145,736	71.17
Financial bonds of commercial banks	74,267	29.21	53,347	26.05
Non-banking financial bonds	7,805	3.07	5,691	2.78
Total	254,243	100.00	204,774	100.00

Of which, material financial bonds:

(Unit: RMB1 million)

Bond Name	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses
Bond 1	6,640	3.07	10 March 2030	–
Bond 2	3,680	2.96	18 July 2032	–
Bond 3	3,240	3.22	14 May 2026	–
Bond 4	3,010	3.18	7 August 2023	0.07
Bond 5	3,000	2.08	29 April 2023	0.18
Bond 6	2,980	4.65	11 May 2028	–
Bond 7	2,850	4.04	6 July 2028	–
Bond 8	2,730	3.63	19 July 2026	–
Bond 9	2,720	2.93	2 March 2025	–
Bond 10	2,620	3.12	13 September 2031	–

3.5.1.3 Derivative financial instruments

(Unit: RMB1 million)

Item	End of 2022			End of 2021		
	Contractual/ nominal amount	Fair value		Contractual/ nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange forwards	47,252	1,215	1,228	18,917	165	134
Foreign exchange swaps	385,128	5,989	4,847	637,276	7,804	7,654
Interest rate swaps	35,281	49	32	23,023	154	10
Option contracts	90,315	252	252	99,574	76	83
Precious metal swap	–	–	–	206	–	1
Total		7,505	6,359		8,199	7,882

3.5.1.4 Financial assets purchased under agreements to resell

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	37,266	63.64	5,775	31.11
Bills	21,293	36.36	12,787	68.89
Total	58,559	100.00	18,562	100.00
Plus: Accrued interest	190	–	134	–
Less: Allowance for impairment losses	307	–	306	–
Total	58,442	–	18,390	–

3.5.1.5 Cash on hand and balances with central banks

At the end of the reporting period, the Group recorded RMB175.383 billion in cash on hand and balances with central banks, a decrease of RMB10.791 billion or 5.80% from the end of the previous year, mainly due to appropriate reduction of excess reserves without compromising the liquidity safety to improve the efficiency of fund utilization.

3.5.1.6 Due from and placements with banks and other financial institutions

At the end of the reporting period, the Group registered RMB75.511 billion in due from banks and placements with banks and other financial institutions, a decrease of RMB25.455 billion or 25.21% from the end of the previous year, mainly because non-renewal of matured borrowings by banks and other financial institutions.

3.5.2 Liability analysis

As at the end of the reporting period, the Group recorded total liabilities of RMB3,576.845 billion, up RMB201.26 billion or 5.96% from the end of the previous year, primarily due to the increase in deposits taken, due to and placements from banks and other financial institutions and financial assets sold under agreements to repurchase. The table below shows the proportional mix of the Group's main liability items.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to central banks	100,836	2.82	149,714	4.43
Deposits taken	2,094,669	58.56	1,927,349	57.10
Due to and placements from banks and other financial institutions	726,799	20.32	655,944	19.43
Financial assets sold under agreements to repurchase	73,631	2.06	46,511	1.38
Debt obligations payable	530,397	14.83	547,248	16.21
Others	50,513	1.41	48,819	1.45
Total	3,576,845	100.00	3,375,585	100.00

Note: Others include financial liabilities for trading, derivative financial liabilities, staff remunerations payable, tax and fee payable, lease liabilities, projected liabilities and other liabilities.

Liability quality management system and quality of liabilities

The Company attaches great importance to liability quality management and has in place a liability quality management system appropriate for the Company's size and complexity of liabilities. First, the organizational structure has been improved. The Board of Directors takes the ultimate responsibility for liability quality management and supervises the senior management to effectively manage and control the quality of liabilities. The Senior Management organizes the implementation of liability quality management. Line management departments and branches perform the functions of decision-making, execution and supervision of liability quality management within their respective sphere of responsibility. Second, a system of policies and procedures encompassing strategies, policies, processes, limits and contingency plans has been established to clarify management responsibilities, procedures and methods. The liability quality metrics are in place to monitor and manage the liability business with a full range of factors, under multiple dimensions and throughout the process. Third, the internal control system for liability quality management has been refined. The Company strictly follows relevant laws and regulations and internal policies and procedures, and optimizes the performance assessment system, highlights the compliance management and risk management requirements and ensures the effective operation of the liability quality management system. Fourth, an information management system is in place to provide strong support and guarantee for day-to-day monitoring, measurement, control, analysis and reporting.

During the reporting period, the Company actively implemented the development plan and the asset and liability management strategy to keep stabilizing and diversifying the sources of liabilities. First, with deposits maintained at the heart of the bank, the proportion of deposit was increased. Financing channels were expanded in a proactive manner to replenish funds with various maturities by issuing bonds, certificates of deposit with banks and other financial institutions, etc., diversifying the sources of funds. Policy and market developments were closely watched to ensure well-timed adjustments to the structure and maturity of liabilities and strengthen cost control. Risk control was strengthened and the structural matching of assets and liabilities was emphasized to strike a balance between safety, liquidity and profitability. Laws and regulations were strictly followed to ensure authenticity and compliance of the liability business. In 2022, the Company saw solid growth of total liabilities with an improved structure, reasonable costs and steady liquidity, manifesting compliance with regulatory requirements.

Next, the Company will continue to strengthen the liability quality management and enrich management tools to boost the quality and efficiency of the liability business and ensure its compliance and robustness in development.

3.5.2.1 Deposits taken

As at the end of the reporting period, the Group recorded RMB2,063.874 billion in total deposits taken, up RMB159.511 billion or 8.38% over the end of the previous year.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate demand deposits	569,550	27.60	657,818	34.54
Corporate time deposits	747,659	36.22	652,450	34.26
Personal demand deposits	137,877	6.68	130,790	6.87
Personal time deposits	337,846	16.37	256,893	13.49
Other deposits	270,942	13.13	206,412	10.84
Total	2,063,874	100.00	1,904,363	100.00
Plus: Accrued interest	30,795	—	22,986	—
Total	2,094,669	—	1,927,349	—

Note: Other deposits include security deposit received, outward remittance, remittances outstanding and others.

3.5.2.2 Financial assets sold under agreements to repurchase

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	72,295	98.28	43,498	93.58
Bills	1,266	1.72	2,984	6.42
Total	73,561	100.00	46,482	100.00
Plus: Accrued interest	70	-	29	-
Total	73,631	-	46,511	-

3.5.3 Changes in shareholders' equity

(Unit: RMB1 million)

Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained profit	Minority interests	Total shareholders' equity
1 January 2022	15,387	59,971	53,292	833	19,747	43,631	105,431	2,410	300,702
Increase in the reporting period	528	-	7,467	374	2,162	3,493	25,035	455	39,514
Decrease in the reporting period	-	-	-	2,788	-	-	14,106	-	16,894
31 December 2022	15,915	59,971	60,759	-1,581	21,909	47,124	116,360	2,865	323,322

Reasons for changes in shareholders' equity:

1. Increase in "share capital" was due to non-public offering of shares by the Company in the reporting period.
2. Increase in "capital reserve" was due to inclusion of capital premium from the Company's non-public offering of shares in capital reserve in the reporting period.
3. Decrease in "other comprehensive income" mainly results from the changes in fair value of other debt investments and other equity instrument investments during the reporting period.
4. According to the annual profit distribution plan, the Company set aside surplus reserve and general risk reserve, distributed cash dividends to all of the shareholders and paid interest to holders of perpetual bonds, so "surplus reserve" and "general risk reserve" increased but "retained profit" decreased in the reporting period.
5. The increase of "retained profit" is mainly due to the realization of net profit of the Group during the reporting period.
6. The increase of "minority interests" is due to net profit earned by the Group's non-wholly-controlled subsidiary during the reporting period.

3.6 CASH FLOW STATEMENT ANALYSIS

Net cash inflows from operating activities

The Group's net cash inflows from operating activities registered RMB78.975 billion, up RMB7.96 billion or 11.21% over last year, mainly due to the increase in placements from banks and other financial institutions and financial assets sold under agreements to repurchase.

Net cash outflows from investing activities

The Group's net cash outflows from investing activities registered RMB86.33 billion, a decrease of RMB17.391 billion or 16.77% from last year, mainly due to intensified investment.

Net cash inflows from financing activities

The Group's net cash inflows from financing activities registered RMB19.508 billion, an increase of RMB9.058 billion or 86.68% from last year, mainly because of the Company's non-public offering of ordinary shares (A-shares) with total proceeds of RMB7.995 billion.

3.7 MAIN ITEMS WITH OVER 30% CHANGES IN THE COMPARATIVE ACCOUNTING STATEMENTS

(Unit: RMB1 million)

Major accounting item	At the end of the reporting period	Increase/decrease compared with the end of previous year (%)	Main reason
Placements with banks and other financial institutions	57,234	-31.26	Decrease in placements with other domestic financial institutions
Financial assets purchased under agreements to resell	58,442	217.79	Increase in bonds purchased under agreements to resell
Held-for-trading financial assets	359,584	53.17	Increased investment in asset management plans of financial institutions
Fixed assets	27,230	96.96	Increase in operating lease commitments
Intangible assets	1,771	1,784.04	Acquisition of land use right
Due to central banks	100,836	-32.65	Decrease in mid-term credit facility
Placements from banks and other financial institutions	166,842	46.46	Increase in placements from domestic banks
Financial liabilities for trading	-	-100.00	Maturity of interbank renting of precious metals
Financial assets sold under agreements to repurchase	73,631	58.31	Increase in bonds sold under agreements to repurchase
Other comprehensive income	-1,581	-289.80	Changes in fair value of other debt investments and other equity instrument investments

(Unit: RMB1 million)

Major accounting item	Reporting period	% change	Main reason
Investment loss/(gain)	6,247	53.56	Increase in investment gain on held-for-trading financial assets
Exchange gains	144	-55.69	Decrease in gains on foreign exchange settlement and sale
Other operating income	546	223.08	Increase in other operating income
Profit/loss from the disposal of assets	-3	N/A	Decrease in loss from the disposal of assets
Other impairment losses on assets	36	-79.78	Decrease in other impairment losses on assets
Other business costs	27	-58.46	Decrease in other business costs
Non-operating expenses	315	43.18	Non-operating expenses increased

3.8 LOAN QUALITY ANALYSIS

3.8.1 Five-tier loan classification

The Company uses a five-tier classification approach to loan management strictly in accordance with CBIRC's *Guidelines on Risk-Based Loan Classification*. Loans are classified into five categories, namely, pass, special mention, substandard, doubtful and loss, of which pass and special mention loans are regarded performing, while the last three categories are regarded as non-performing loans.

As at the end of the reporting period, the Group's balance of special mention loans stood at RMB63.277 billion, a decrease of RMB5.252 billion over the end of the previous year, and accounted for 2.78% of total loans, down 0.32 percentage points from the end of the previous year. The balance of NPLs stood at RMB39.87 billion, an increase of RMB797 million over the end of the previous year, and accounted for 1.75% of total loans, down 0.02 percentage points from the end of the previous year.

(Unit: RMB1 million)

Item	End of 2022			End of 2021	
	Balance	Percentage (%)	Increase/decrease compared with the end of previous year (%)	Balance	Percentage (%)
Pass loans	2,169,826	95.47	3.03	2,105,927	95.13
Special-mention loans	63,277	2.78	-7.66	68,529	3.10
Substandard loans	17,348	0.76	22.44	14,169	0.64
Doubtful loans	10,916	0.48	-17.79	13,278	0.60
Loss	11,606	0.51	-0.17	11,626	0.53
Total	2,272,973	100.00	2.69	2,213,529	100.00
Performing loans	2,233,103	98.25	2.70	2,174,456	98.23
NPLs	39,870	1.75	2.04	39,073	1.77

3.8.2 Distribution of loans and NPLs by product type

As at the end of the reporting period, the Group's balance of corporate loans recorded RMB1,445.711 billion, an increase of RMB19.046 billion or 1.34% over the end of the previous year. The balance of personal loans reached RMB707.001 billion, an increase of RMB56.701 billion or 8.72% over the end of the previous year. The balance of discounted bills was RMB120.261 billion, a decrease of RMB16.303 billion or 11.94%. Specifically, the balance of corporate NPLs stood at RMB29.212 billion, up RMB1.594 billion, representing a NPL ratio of 2.02%, up 0.08 percentage points over the end of the previous year. The balance of personal NPLs stood at RMB10.658 billion, down RMB797 million, representing a NPL ratio of 1.51%, down 0.25 percentage points from the end of the previous year.

(Unit: RMB1 million)

Product type	End of 2022				End of 2021			
	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)
Corporate loans	1,445,711	63.61	29,212	2.02	1,426,665	64.45	27,618	1.94
Personal loans	707,001	31.10	10,658	1.51	650,300	29.38	11,455	1.76
Discounted bills	120,261	5.29	-	-	136,564	6.17	-	-
Total	2,272,973	100.00	39,870	1.75	2,213,529	100.00	39,073	1.77

3.8.3 Distribution of loans and NPLs by industry

During the reporting period, the Group actively implemented economic development policies and regulatory requirements of the State. In an all-out effort to support the real economy, the Company improved financial services for the private economy and MSBs and increased credit support for transformation and upgrading of the manufacturing industry, strategic emerging industries and other fields. With risks controlled, the Group continued to adjust and improve its asset structure to better serve the real economy.

Manufacturing and wholesale & retail pooled most of the Group's NPLs, collectively accounting for 33.52% of the Group's total NPLs, down 6.35 percentage points from the end of the previous year. Specifically, the NPL ratio for manufacturing was 3.81%, down 1.33 percentage points from the end of the previous year, and the NPL ratio for wholesale & retail was 3.92%, down 0.27 percentage points from the end of the previous year. During the reporting period, the real estate and construction NPLs increased due to adverse effect of the sectoral risk exposure.

(Unit: RMB1 million)

Industry	End of 2022				End of 2021			
	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)
Leasing and commercial services	427,358	18.80	1,951	0.46	408,692	18.46	2,284	0.56
Manufacturing	210,406	9.26	8,019	3.81	190,744	8.62	9,807	5.14
Water conservancy, environment and public facilities management	152,195	6.70	1,458	0.96	165,691	7.48	857	0.52
Wholesale and retail	136,321	6.00	5,345	3.92	137,672	6.22	5,773	4.19
Real estate	104,663	4.60	2,956	2.82	125,953	5.69	835	0.66
Construction industry	104,118	4.58	3,396	3.26	100,084	4.52	2,318	2.32
Electric power, heat, gas and water production and supply industry	63,635	2.80	502	0.79	62,844	2.84	570	0.91
Transportation, warehousing and post industry	59,747	2.63	1,479	2.48	53,069	2.40	1,929	3.63
Mining industry	30,196	1.33	2,027	6.71	31,258	1.41	1,892	6.05
Other corporate industries	157,072	6.91	2,079	1.32	150,658	6.81	1,353	0.90
Discounted bills	120,261	5.29	-	-	136,564	6.17	-	-
Personal loans	707,001	31.10	10,658	1.51	650,300	29.38	11,455	1.76
Total	2,272,973	100.00	39,870	1.75	2,213,529	100.00	39,073	1.77

Note: Other corporate industries mainly comprise agriculture, forestry, animal husbandry and fishery, information transmission, software and IT services, accommodation and catering, culture, sports and recreation, etc.

3.8.4 Distribution of loans and NPLs by geographical area

Staying close to China's regional strategy arrangements, the Group continued to implement the differentiated regional development strategy of "Three Regions, Two Lines and Multiple Points". Led by "Three Regions" and bolstered by "Two Lines and Multiple Points", the Company identified priorities of regional development in line with regional reality and industrial characteristics, kept rationalizing the asset allocation and achieved high-quality development.

At the end of the reporting period, the Group recorded RMB2,272.973 billion in total loans and advances to customers, up RMB59.444 billion or 2.69% over the end of the previous year. By total size, the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and Central and Eastern China were the top three regions by outstanding loans, which were RMB661.87 billion, RMB560.897 billion and RMB345.359 billion, accounting for 29.12%, 24.68% and 15.19%, respectively. By growth rate, the Group recorded faster growth in loans for the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta, which reached 10.54% and 7.25%, up 0.76 percentage points and 1.24 percentage points, respectively.

The Group's loans were mainly exposed to regional risks in the Beijing-Tianjin-Hebei Region, Central and Eastern China and Northeastern China where the NPL ratio was higher than the Group's average. The Beijing-Tianjin-Hebei Region saw the regional NPL ratio at 2.82%, down 0.14 percentage points from the end of the previous year. The regional NPL ratio for Central and Eastern China stood at 2.26%, up 0.50 percentage points from the end of the previous year. The regional NPL ratio for Northeastern China was 4.91%, up 0.87 percentage points from the end of the previous year.

(Unit: RMB1 million)

Geographical area	End of 2022				End of 2021			
	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)
Beijing – Tianjin – Hebei Region	560,897	24.68	15,841	2.82	569,468	25.73	16,878	2.96
Yangtze River Delta	661,870	29.12	6,043	0.91	617,129	27.88	5,624	0.91
Guangdong – Hong Kong – Macao Greater Bay Area	242,127	10.65	2,017	0.83	219,037	9.89	1,740	0.79
Central and Eastern China	345,359	15.19	7,793	2.26	339,472	15.34	5,959	1.76
Western China	284,960	12.54	3,804	1.33	282,174	12.75	5,679	2.01
Northeastern China	60,426	2.66	2,969	4.91	61,188	2.76	2,473	4.04
Subsidiaries	117,334	5.16	1,403	1.20	125,061	5.65	720	0.58
Total	2,272,973	100.00	39,870	1.75	2,213,529	100.00	39,073	1.77

3.8.5 Distribution of loans and NPLs by guarantee type

During the reporting period, the Group kept the security structure of loans basically stable. Its unsecured loans accounted for 24.77%, up 1.53 percentage points over the end of last year; its guaranteed loans took a 29.59% share, up 0.44 percentage points from the end of last year; and its collateral-backed loans made up 45.64%, down 1.97 percentage points from the end of last year.

(Unit: RMB1 million)

Guarantee method	End of 2022				End of 2021			
	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)	Balance	Percentage (%)	Balance of NPLs	NPL ratio (%)
Unsecured loans	563,093	24.77	8,770	1.56	514,475	23.24	9,509	1.85
Guaranteed loans	672,486	29.59	13,307	1.98	645,243	29.15	15,484	2.40
Collateral loans	1,037,394	45.64	17,793	1.72	1,053,811	47.61	14,080	1.34
– Mortgage loans	735,100	32.34	14,238	1.94	728,974	32.93	11,190	1.54
– Pledged loans	302,294	13.30	3,555	1.18	324,837	14.68	2,890	0.89
Total	2,272,973	100.00	39,870	1.75	2,213,529	100.00	39,073	1.77

3.8.6 Distribution of loans by overdue period

As at the end of the reporting period, the balance of overdue loans at the Group was RMB42.436 billion, with a ratio of 1.87%. Specifically, loans overdue for up to 90 days amounted to RMB10.897 billion, accounting for 0.48%, and loans overdue for more than 90 days stood at RMB31.539 billion, accounting for 1.39%. The Group adopted prudential classification standards for overdue loans. At the end of the reporting period, the Group's loans overdue for more than 90 days and NPLs accounted for 79.10% of total overdue loans, staying within 100%.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Performing loans	2,230,537	98.13	2,171,972	98.12
Overdue loans	42,436	1.87	41,557	1.88
Of which: Overdue for 1 to 90 days (inclusive)	10,897	0.48	10,222	0.46
Overdue for 91 to 360 days (inclusive)	13,335	0.59	15,991	0.72
Overdue for 361 days to 3 years (inclusive)	13,719	0.60	11,787	0.54
Overdue for more than 3 years	4,485	0.20	3,557	0.16
Total	2,272,973	100.00	2,213,529	100.00
Overdue for more than 90 days	31,539	1.39	31,335	1.42

Note: Overdue loans include the loans with overdue principal or interest. If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

3.8.7 Restructured loans

At the end of the reporting period, the book balance of the Group's restructured loans amounted to RMB2.662 billion, an increase of RMB1.505 billion and accounting for 0.12%, up 0.07 percentage points over the end of the previous year.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Percentage in total loans (%)	Amount	Percentage in total loans (%)
Restructured loans	2,662	0.12	1,157	0.05

3.8.8 Particulars of top 10 borrowers

During the reporting period, the Company strictly controlled the loan concentration risk. The balance of top 10 borrowers amounted to RMB50.465 billion, accounting for 2.34% of total loans and 14.31% of net capital at the end of the period, respectively. The balance of single largest legal-person customer loans of the Company was RMB9.99 billion, accounting for 0.46% of total loans of the Company at the end of the reporting period and 2.83% of net capital.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Top 10 borrowers	50,465	2.34	57,032	2.73

3.8.9 Loan migration

Item (%)	End of 2022	End of 2021	End of 2020
Pass loan migration ratio	1.37	1.77	2.88
Special-mention loan migration ratio	29.38	33.00	42.04
Substandard loan migration ratio	53.89	71.97	73.41
Doubtful loan migration ratio	50.96	50.66	56.97

Note: Loan migration ratio was calculated based on the indicators revised by CBIRC in 2022. It is group-wide data, with historical data adjusted retrospectively.

3.8.10 Basic Information on repossessed assets

As at the end of the reporting period, the book balance of repossessed assets of the Company amounted to RMB2.149 billion, down RMB265 million from the end of the previous year.

(Unit: RMB1 million)

Item	End of 2022		End of 2021	
	Amount	Allowance for impairment losses	Amount	Allowance for impairment losses
Repossessed assets	2,149	1,068	2,414	1,121

3.8.11 Charge and write-off of allowance for impairment losses on loans

(Unit: RMB1 million)

Item	End of 2022	End of 2021
Balance at the beginning of the period	58,997	55,908
Charge/(reversal) for the year	26,992	25,692
Less: Write-offs and transfer-out in the year	24,864	25,056
Recovery in the year	2,611	2,460
Change in exchange rate	8	-7
Balance at the end of the period	63,744	58,997

Charge method for allowance for impairment losses on loans: The Group sets aside allowances for impairment losses on loans based on expected loss model as required by the new accounting standards in the light of customers' probability of default, loss given default, other quantitative risk parameters and macro forward-looking information, and states them in profit or loss.

3.9 CAPITAL MANAGEMENT

3.9.1 Capital composition and its changes

(Unit: RMB1 million)

Item	31 December 2022		31 December 2021		31 December 2020	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
1. Net core tier 1 capital	262,499	243,588	240,073	224,226	222,230	208,463
2. Net tier 1 capital	322,724	303,559	300,279	284,197	282,413	268,434
3. Net capital base	377,107	352,713	350,673	328,743	330,769	311,880
4. Risk-weighted Assets	2,841,800	2,696,326	2,735,128	2,606,592	2,529,132	2,410,045
Of which: Credit risk-weighted assets	2,644,304	2,508,904	2,547,742	2,427,573	2,361,335	2,248,351
Market risk-weighted assets	21,016	20,990	16,150	16,149	12,655	12,655
Operational risk-weighted assets	176,480	166,432	171,236	162,870	155,142	149,039
5. Core tier 1 CAR (%)	9.24	9.03	8.78	8.60	8.79	8.65
6. Tier 1 CAR (%)	11.36	11.26	10.98	10.90	11.17	11.14
7. CAR (%)	13.27	13.08	12.82	12.61	13.08	12.94

Note: According to the *Regulation Governing Capital of Commercial Banks (Provisional)* (CBRC No. 1 Decree in 2012) and relevant regulatory rules, the minimum CAR requirement is 8.00%, and the capital conservation buffer and counter-cyclical capital buffer is 2.50%. The Company entered the list of China's domestic systemically important banks (D-SIBs) issued by PBOC and CBIRC, subject to a capital surcharge requirement of 0.25% for D-SIBs. The Company met the capital surcharge requirement for D-SIBs.

3.9.2 Leverage ratio and its changes

(Unit: RMB1 million)

Item	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Net tier 1 capital	303,559	290,096	285,030	287,430
Adjusted on and off-balance sheet asset balance	4,489,908	4,422,754	4,390,168	4,282,285
Leverage ratio (%)	6.76	6.56	6.49	6.71

Note: The above are unconsolidated data calculated according to the *Regulation Governing Leverage Ratio of Commercial Banks (Revised)* (CBRC Decree No. 1 in 2015). The Company entered the list of China's domestic systemically important banks (D-SIBs) issued by PBOC and CBIRC, subject to an additional leverage ratio of 0.125% for D-SIBs. The Company met the additional leverage requirements for D-SIBs.

3.9.3 According to the *Capital Rules for Commercial Banks (Provisional)* (CBRC Decree No. 1, 2012), the *Regulation Governing Leverage Ratio of Commercial Banks (Revised)* (CBRC Decree No. 1 in 2015) and other relevant regulatory rules, please refer to the special column of investor relationship at www.hxb.com.cn, the Company's official website, for disclosure of capital adequacy ratio and leverage ratio of the Group.

3.10 ANALYSIS OF INVESTMENTS

3.10.1 Material equity investments

Holdings in other listed companies

(Unit: RMB1 million)

Stock code	Stock name	Initial investment cost	Shareholding percentage (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
V	Visa Inc.	1	0.0003	11.46	0.06	0.35	Other equity instrument investments	Membership fees converted to shares

Holdings in unlisted companies and companies to be listed

(Unit: RMB1 million)

Name	Initial investment cost	Shares held (Million shares)	Shareholding percentage (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
National Financing Guarantee Fund Co., Ltd.	1,000	-	1.51	1,000	-	-	Other equity instrument investments	Investment with self-owned capital
China UnionPay Co., Ltd.	81	62.50	2.13	1,928	50	-	Other equity instrument investments	Investment with self-owned capital
Beijing Daxing Hua Xia Rural Bank Co., Ltd.	100	-	80	100	-	-	Long-term equity investments	Investment with self-owned capital
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	35	35	70	35	-	-	Long-term equity investments	Investment with self-owned capital
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	35	52.50	70	35	-	-	Long-term equity investments	Investment with self-owned capital
Huaxia Financial Leasing Co., Ltd.	4,920	-	82	4,920	-	-	Long-term equity investments	Investment with self-owned capital
Huaxia Wealth Management Co., Ltd.	3,000	-	100	3,000	-	-	Long-term equity investments	Investment with self-owned capital

Note: The cost method was adopted for accounting of the Group's long-term equity investments. Except actual payments upon investment or announced but unpaid cash dividends/profits in consideration, cash dividends/profits announced by investees for distribution were recognized as return on investment into current profit or loss.

3.10.2 Analysis of major controlling and equity participation companies

3.10.2.1 Huaxia Financial Leasing Co., Ltd.

The company, with a registered capital of RMB10 billion, started operation in April 2013, in which the Company holds an 82% stake. Its business scope covers financial leasing, transfer of financial leasing assets, fixed-income securities investment and acceptance of lease premium from lessees.

At the end of the reporting period, the company's total assets and net assets were RMB142.950 billion and RMB15.398 billion, respectively. For the reporting period, the company realized operating income of RMB4.402 billion and net profit of RMB2.505 billion.

3.10.2.2 Huaxia Wealth Management Co., Ltd.

The company, with a registered capital of RMB3 billion, started operation in September 2020, in which the Company holds a 100% stake. Its business scope covers issuing wealth management products to the public, and investing and managing the investors' assets as trustee, issuing wealth management products to qualified investors and investing and managing the investors' assets as trustee and financial advisory and consulting services.

At the end of the reporting period, the company's total assets and net assets were RMB4.370 billion and RMB4.208 billion, respectively. For the reporting period, the company realized operating income of RMB1.523 billion and net profit of RMB875 million.

3.10.2.3 Beijing Daxing Hua Xia Rural Bank Co., Ltd

The bank with a registered capital of RMB125 million started operation in September 2010, in which the Company holds an 80% stake. Its business scope covers deposits taking, extension of loans on a short-term, medium-term and long-term basis, domestic settlement, bill acceptance and discounting, inter-bank lending, bank card (debit card) business, etc.

At the end of the reporting period, the bank's total assets and net assets reached RMB716,271,700 and RMB128,925,700, respectively. The deposit balance stood at RMB544,914,000 and total loans at RMB532,431,600. For the reporting period, the bank realized operating income of RMB27,293,400 and net profit of RMB339,400.

3.10.2.4 Kunming Chengong Hua Xia Rural Bank Co., Ltd.

The bank, with a registered capital of RMB50 million, started operation in July 2011, in which the Company holds a 70% stake. Its business scope covers deposits taking, extension of loans on a short-term, medium-term and long-term basis, domestic settlement, bill acceptance and discounting, inter-bank lending, bank card business, commissioned issuance, encashment and underwriting of government bonds, agency payment and insurance, etc.

At the end of the reporting period, the bank's total assets and net assets reached RMB552,169,100 and RMB74,570,600, respectively. The deposit balance stood at RMB360,728,500 and total loans at RMB405,017,100. For the reporting period, the bank realized operating income of RMB17,758,700 and net profit of RMB92,700.

3.10.2.5 Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.

The bank, with a registered capital of RMB75 million, started operation in September 2011, in which the Company holds a 70% stake. Its business scope covers deposits taking, extension of loans on a short-term, medium-term and long-term basis, domestic settlement, bill acceptance and discounting, bank card business, commissioned issuance, encashment, underwriting and trading of government bonds, guarantees, etc.

At the end of the reporting period, the bank's total assets and net assets reached RMB1,480,559,000 and RMB146,180,200, respectively. The deposit balance stood at RMB1,244,565,900 and total loans at RMB1,226,782,000. For the reporting period, the bank realized operating income of RMB67,457,400 and net profit of RMB13,265,000.

3.10.3 Material non-equity investments

During the reporting period, the Company did not make any material non-equity investment.

3.11 OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

3.11.1 Interest receivable

According to the *Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises in 2019* (C.K. [2019] No. 36), the interest accrued on financial instruments using the effective interest rate method shall be included in the book balance of relevant financial instruments and presented in relevant statement items. Interest due and receivable but not received is stated under "other assets".

Charge of allowance for bad debts of interest receivables:

During the reporting period, the Group examined interest receivable based on the expected credit loss (ECL) model and accrued the allowance for impairment of financial instruments.

Writing-off procedures and policy of bad debts:

As for the items in line with the conditions of writing-off, the Company adopted the procedures of declaration by the branches and approval by the Head Office: relevant departments of branches organized the declaration and review for the bad debts writing-off, submitted to the president panel of branches for review and approval and then reported it to the Head Office; after being reviewed by relevant departments of the Head Office and approved by the Asset Risk Disposal Committee, the items were written off.

In the process of bad debts writing-off, the Company followed the principles of "confirming to identification conditions, following effective evidence, filing after writing-off, and maintaining recovery rights". After the bad debts were written off, the management responsibility was strictly carried out and diversified methods were adopted in the continuing recourse.

3.11.2 Financial assets measured at fair value

For financial assets stipulated by standard articles and traded on the active market, the Company determines their fair value separately with reference to the buy-in and sell-out prices available on the market.

As for the financial assets without an active market, the Company adopts valuation techniques to determine their fair value. The valuation technologies include using recent fair market transactions (if available) voluntarily conducted by parties to transaction familiar with market conditions, using the present fair value of other financial instruments that are substantially the same for reference and discounted cash flow analysis and option pricing models. The valuation technologies should use market parameters where possible. If market parameters are unavailable, the valuation management department shall estimate its and the counterparty's credit risk, market volatility and relevance, regularly review the above estimates and assumptions and make adjustments where necessary.

(Unit: RMB1 million)

Item	Amount at the beginning of the period	Changes in fair value through profit or loss in the year	Accumulated changes in fair value through equity	Allowances for impairment losses during the period	Amount at the end of the period
Derivative financial assets	8,199	-694	-	-	7,505
Loans and advances to customers measured at fair value through other comprehensive income	141,753	-	-336	-431	102,731
Held-for-trading financial assets	234,757	1,898	-	-	359,584
Other debt investments	196,272	-	-373	26	248,105
Other equity instrument investments	6,924	-	-1,704	-	7,131
Others	-	3	-	-	-
Total financial assets	587,905	1,207	-2,413	-405	725,056
Derivative financial liabilities	7,882	1,523	-	-	6,359
Financial liabilities for trading	206	-	-	-	-
Total financial liabilities	8,088	1,523	-	-	6,359

Note: There is no necessary articulation in the table.

3.11.3 Off-balance-sheet items that may have material impact on financial position and operating results

(Unit: RMB1 million)

Item	Balance at the end of 2022	Balance at the end of 2021
Credit commitments	986,154	856,793
Of which:		
Irrevocable loan commitments	4,881	9,222
Bank acceptance drafts	468,421	384,281
L/Gs and other payment commitments issued	30,742	32,665
L/Cs issued	170,757	155,963
Unused credit card limit	307,094	265,981
Financial lease commitments	4,259	8,681
Capital expenditure commitments	4,771	1,915

The above-mentioned off-balance-sheet items might have impact on the Group's financial position and operating results, which depends on whether the related matters will occur in the future. Under certain conditions in the future, they may be converted to the actual obligation of the Group in accordance with the recognition principle of contingencies.

3.11.4 Gain/loss on asset securitization in the reporting period

During the reporting period, the Company conducted no asset securitization business.

3.11.5 Innovative products

The Company remains customer-centric and oriented to customer demand. In light of policy and market changes, innovation-driven development has been intensified to further integrate resources and empower the creation and refinement of products, in a bid to create value for customers and serve the real economy.

The Company actively implemented national policy requirements by strengthening financial services in key areas, accurately matching the needs of enterprises and improving the quality and efficiency of serving the real economy. With a focus on specialized and sophisticated producers of new and unique products and sci-tech innovation, the "lending + external direct investing" model was employed to meet customers' comprehensive financing needs. A series of fund supervision products were developed to provide in-depth services for such ecospheres as pre-sale of commercial housing and off-campus tutoring. The technological empowerment was strengthened. The settlement and cash management application platform was launched to improve the online service ability for deposit products. Based on the "platform + scenarios", the electronic spot foreign exchange purchase and payment and electronic letter of guarantee products were launched, the single-window cross-border payment and settlement product features were improved, and strengths were developed in non-recourse re-factoring online products under supply chain through the process.

Industrial digital finance strengthened cooperation with industrial ecospheres to explore technological innovation in digital credit and digital smart risk control. New industrial digital finance products embedded into customers' ecosphere scenarios, such as digital government procurement loan, digital freight loan and digital warehouse receipt loan, were launched. The digital factoring, digital product pool and other products were continuously iterated and refined to diversify the digital product offerings. The ability to serve industrial ecospheres kept improving.

The technology-driven retail banking provided customers with better and more convenient services and experience. The "Elite e Loan" was upgraded in the faster transition to digital consumer credit. The third-party product distribution system was enriched to provide customers with a wide variety of wealth management choices. The digital RMB application was deepened by creating a number of digital RMB use scenarios. In serving micro and small businesses (MSEs) and the real economy, the "Specialized and Sophisticated Enterprise Loan" was developed, the "Inclusive Farmer Express" product portfolio was launched and the "Hua Xia Inclusive Private Enterprises Link" WeChat account was created. To meet different service needs of different customer groups, the Company launched the Hua Xia Chinese Cartoon Card, Hua Xia Premium Platinum Card, Hua Xia American Express Upstart Card and Hua Xia UP Credit Card.

The financial market business further served the real economy by launching the corporate bond project arrangement services and the ABS listing services, so as to provide customers with one-stop integrated financial services including planning and project arrangements. Resources in the "circle of friends" across the banking sector were leveraged to broaden financing channels for customers. The asset custody business pursued innovation in products and services, making breakthroughs in cross-border custody taking advantage of the "dual circulation" policy.

3.11.6 Structured entities controlled by the Company

For the consolidated structured entities of the Group and the interests and rights enjoyed in structured entities excluded from the consolidated financial statements in detail, please refer to Note XIV. Structured Entities.

3.11.7 Material asset and stock right sales

During the reporting period, the Group did not make any material asset or stock right sales.

3.12 BUSINESS REVIEW

3.12.1 Corporate banking

During the reporting period, the Company continued to transform corporate banking toward “commercial banking + investment banking” in a bid to strengthen resource integration and collaborative marketing. The “industry + customer” marketing system was built on a customer-centric basis to deepen customer management, speed up innovation and shift traditional credit and financing to integrated financing, showing effective transformation of the development model.

Corporate customer management

Guided by the 14th Five-Year Plan, the Company actively fit into national strategies and regional mainstream economy, adapted itself to the new situation and developments in China’s economic development and industry restructuring and remained customer-centric. Focusing on high-end customers in traditional industries and emerging entities in high-end industries, the Company carried out “industry + customer” marketing, implemented whitelist management, promoted sectoral specialization and structurally adjusted the corporate customer base. The “core – strategic – institutional – basic customers” hierarchical and classified marketing was intensified to attract customers from outside and tap the potential from within. The “commercial banking + investment banking” integrated financial service model was deepened to strengthen the use of differentiated, refined and digital means and boost the capability of providing integrated financial services for customers. At the end of the reporting period, the Company had 627,800 corporate accounts, an increase of 2.87% over the end of the previous year.

The Company continued to develop “3-3-1-1” customers and dynamically managed the “3-3-1-1” customer whitelist. The working mechanism for “tiered management, classified marketing and collaboration” was further improved to strengthen collaborative marketing between the Company and subsidiaries of the Group and between business lines, thus continuously enhancing the professional marketing and service level. The Company strengthened the strategic cooperation with key central enterprises, high-quality local SOEs and key institutions. Strategic partnership agreements were signed with China Chengtong Holdings Group Ltd., China National Agricultural Development Group Co., Ltd., National Equities Exchange and Quotations Co., Ltd., and Beijing Stock Exchange to actively deepen overall business cooperation. The marketing and services for Head Office-level strategic customers were deepened, with the working mechanism continuously refined to provide customers with comprehensive financial service solutions. At the end of the reporting period, the Company had 118 Head Office-level strategic customers, up 15 from the end of the previous year. The Company had business cooperation with 5,401 or 31.85% of the 16,955 whitelisted “3-3-1-1” customers. The above whitelisted “3-3-1-1” customers contributed RMB297.618 billion of corporate deposits per day in average, up 5.30% from the previous year, with a balance of loans standing at RMB294.34 billion, up 6.82% from the end of the previous year.

The Company enhanced the bank-government cooperation, strengthened the marketing of institutional banking and kept boosting the overall service level with a focus on “attaining important qualifications, marketing major projects and developing key areas”. The Company proceeded with building the treasury centralized electronic payment system, optimized the non-tax business system of central and local governments, rated as “excellent” by the Ministry of Finance in its comprehensive evaluation of non-tax revenue collection service for the central government for six consecutive years. The Company was praised by the National Healthcare Security Administration for three consecutive years and entered into a healthcare service cooperation agreement with the Beijing Municipal Medical Insurance Bureau. The Company became qualified as a supervisory banking partner for the Ministry of Education’s national integrated platform for extracurricular tutoring supervision and services. A series of distinctive technology projects were implemented in such fields as land and housing, public resources, social security, education and tobacco to effectively enhance cooperation stickiness, demonstrating persistence in “technological empowerment”. At the end of the reporting period, the Company was granted over 700 institutional banking qualifications.



Hua Xia Bank signed a strategic cooperation agreement with China National Agricultural Development Group Co., Ltd.

Corporate deposits

With deposits put at the heart of the bank, the Company strengthened the marketing of corporate deposits, kept expanding the sources of deposits, strengthened the use of product portfolios, enhanced the customer service capacity and achieved high-quality growth of corporate deposits. As at the end of the reporting period, the balance of corporate deposits of the Company increased by 4.72% year-on-year to RMB1,587.3 billion. The cost of corporate deposits was 2.01%, still a relatively low level among joint-stock commercial banks.

Corporate loans

In implementing the decisions and plans of the CPC Central Committee and the State Council, the Company kept improving the regular support mechanism for key fields and weaker links of the national economy. The PBC's structural monetary policy instruments were leveraged to issue RMB30.251 billion of loans for high-quality enterprises in such fields as carbon emissions reduction, technological innovation and equipment upgrading. In helping manufacturers grow, a dedicated service team was created and a working mechanism was created to improve the quality and efficiency of medium- and long-term manufacturing loans, with a focus on key fields and projects, to boost the high-quality development of manufacturers. As at the end of the reporting period, outstanding corporate loans (excluding discounted bills) of the Company amounted to RMB1,333.396 billion, up 2.06% compared with the end of the previous year. Outstanding corporate loans (excluding discounted bills) to the Three Regions amounted to RMB858.526 billion, up 4.10% compared with the end of the previous year.

Corporate internet finance

Customer service experience drove the streamlining of the corporate online banking process and business innovation. The business and technology application empowered innovation of online corporate products and services. The corporate online banking launched such digital products and services as "Cross-bank Fund Management", "Electronic Confirmation", "Electronic Letter of Guarantee", "Digital RMB", "Spot FX Purchase and Payment" and "QR Code Login and Validation for Corporate Online Banking" to further enhance the capability of online and digital corporate banking services. The corporate mobile banking received the *FinTech Product Certificate* issued by the National FinTech Evaluation Center. At the end of the reporting period, the Company had 431,300 cumulative registered users of corporate internet finance, a net increase of 16,800 or 4.05% year-on-year, and active users accounted for 86.88%. Corporate mobile banking had 148,700 registered users cumulatively, up 10.93% year-on-year.

The management of settlement funds was strengthened, with the "industry + customer" marketing strategy used to intensify the use of settlement fund management products for corporate customers. At the end of the reporting period, the Company's settlement fund management series products registered 142 new clients, providing services for 682 corporate customers from more than ten industries such as transportation, wholesale, retail, customs and courts and assisted customers in managing RMB39.617 billion of funds in aggregate.

Investment banking

With a focus on professional capacity building, the investment banking mechanism was improved to strengthen the organizational capacity and deepen business coordination, highlighting the marketing strategy of becoming the lead bank for part of customers' investment banking business. The objectives and tasks of investment banking were fully accomplished in pursuit of high-quality investment banking.

At the end of the reporting period, the Company recorded RMB694.491 billion in size of investment banking, up 31.44% year-on-year, and registered 929 customers served. Thanks to the persistent efforts to expand the corporate customer base with a better structure and higher level, the domestic underwritings totaled RMB236.947 billion (including asset securitizations), including RMB191.93 billion (including asset securitizations) of credit bond issuance in the interbank market. The Company ranked 16th² out of 74 underwriters by underwriting volume, up one place from a year ago.

During the reporting period, the Company provided investment banking support for economic transition and fulfilled social responsibility in response to strategic decisions and plans of the CPC Central Committee and the State Council. Responding to the call for comprehensively promoting rural revitalization, the Company strengthened financial services for rural revitalization with a focus on key areas and weaker links. The Company co-underwrote two rural revitalization bills with a total issuance of RMB6.3 billion. It actively participated in the transformation and upgrading of traditional manufacturing and deeply integrated into the innovative development of advanced manufacturing. In support of technology firms, the Company co-underwrote three sci-tech innovation bills with a total issuance of RMB2.3 billion. To implement the national plan for ensuring high-quality energy supply, steadily promote financial services for ensuring energy supply and safeguard the national energy security, the Company underwrote two energy supply security bonds with a total issuance of RMB29 billion.

During the reporting period, the Company continued to cement the foundation for M&A syndication and professional team building and kept building the consulting and matchmaking service systems including insurance matchmaking, lease matchmaking, brokerage matchmaking, trust matchmaking, innovative equity matchmaking, and one-stop special bond consulting service, with the business scale growing steadily.

² Ranked according to the underwritings of debt financing instruments published by Wind.

Trade finance

Seizing opportunities in the new development pattern featuring dual circulation, which takes the domestic market as the mainstay while letting domestic and foreign markets boost each other, the Company furthered its platform-based, scenario-based, online and digital transformation, remaining capital-light and customer-centric to effectively serve the real economy. At the end of the reporting period, the Company recorded RMB743.061 billion in balance of trade finance assets on and off the balance sheet, up 15.19% year-on-year. International settlements totaled USD162.105 billion. The correspondent banking network further improved, with 626 or 52.65% of correspondent banks located along the Belt and Road.

3.12.2 Retail finance

During the reporting period, the Company upheld the development philosophy of being “sustainable and better”, remained focused on customer needs, shouldered the task of serving the society and accelerated retail transition as an important strategy of the bank. The Company improved the ability to manage key customer groups, the professional service capability and the digital retail capacity across the board, providing customers with more professional, more convenient and higher-quality retail financial services.

Retail customers

The Company adhered to the “customer-centric” business philosophy, deepened customer management, and endeavored to improve the customer service capacity, making retail business considerate and caring. **The Company accelerated construction of the digital customer service system**, commenced the “Quick Win” digital customer management project, used big data to create customer portraits, formulated differentiated customer service strategies and enhanced service efficiency with technology. **The customers’ reward points redemption system was further upgraded**. The “Energy Station” has created a highly interactive event system with frequent new offerings, providing customers with multi-level services to meet their financial needs and everyday life needs. The Company cooperated with high-quality service organizations in various industries to continuously improve the one-stop value-added service system for wealth management and private banking, thereby enhancing the ability to create value for customers. **A professional pension finance service system was built**. The Company seized development opportunities in the social security system reform and elderly consumption upgrading and performed the social responsibility and mission. The personal pension business system was launched quickly together with a series of pension finance products in a bid to build a “Hua Xia Care” pension finance service brand in an all-round fashion.

The individual customer groups kept expanding. At the end of the reporting period, the Company had 31,158,100 individual customers (excluding credit card holders), up 5.48% from the end of the previous year after adjustment for closure of inactive accounts with a zero balance. Specifically, the Company had 13,700 private banking customers³, up 1.04% over the end of last year, 708,500 consumer credit customers, up 2.82% over the end of last year, 525,600 acquiring customers, up 3.57% over the end of last year.

Personal deposits

The Company rode on the market trends and endeavored to build a sustainable deposit management capacity through customer group management, scenario expansion and product innovation. **In tapping deep into the customer base**, the Company precisely matched customers with deposit products and services through digital customer management, enabling customer asset allocation and value enhancement. **In developing project scenarios**, the Company realized batch customer attraction through project development, platform-based customer acquisition and scenario management, thereby expanding the sources of deposits. **In the improving product system**, the Company accelerated the innovation of deposit products and full online transition, and developed a system of personal deposit products and services specific to customer groups, channels, scenarios and geographical areas. As at the end of the reporting period, the balance of personal deposits of the Company stood at RMB474.425 billion, up 22.75% from the end of the previous year.

³ Private banking customer means a customer with an average daily AUM worth at least RMB6 million in the previous month.

Personal loans

The Company stayed true to the original service aspirations, remained focused on key needs of customers and expanded personal credit supply to better help stabilize growth. **Residential mortgages maintained steady growth.** In thoroughly implementing the national and local policy requirements and pursuing the goals of ensuring “stable land price, stable housing price and stable expectations”, the Company adopted city-specific housing credit policies, built a housing resale agent cooperation platform, supported the housing needs of first-time homebuyers and home upgraders and properly dealt with the relations between ensuring stable growth and forestalling risks. The consumer credit support was strengthened. The indigent and online product “Elite e Loan” was launched. Consumer loan products with proprietary brands, self-built scenarios and independent risk control were developed. The intelligent loan service experience was upgraded. High-quality customer groups were selected to unleash their consumption potential under local governments’ consumption stimulus policy. At the end of the reporting period, the Company’s balance of personal loans (excluding credit cards) was RMB520.312 billion, up 10.46% over the end of the previous year.

Box 1: Upgrading the Consumer Finance System to Serve the Real Economy

To accommodate the online product development needs, the Company improved customer experience, accelerated product innovation and upgraded the consumer finance system, with a focus on technology experience and intelligent services, to boost consumption and serve the real economy.

New online consumer credit products were launched. The Company accelerated the innovation of consumer credit products and the development of IT systems. The “Elite e Loan”, a new online consumer loan product, was launched to enable QR code-based intake, online application, mobile investigation, direct link to provident fund and intelligent approval, featuring quick response, quick approval and quick disbursement. The customer service became more accurate and efficient to better meet customers’ day-to-day consumption needs such as home improvement, tourism and education.

Interest concessions were made to customers. The Company strengthened its support for consumer credit to improve people’s living standard, including distributing discount coupons for consumer loans through online channels, so as to provide convenience for customers and reduce the financing cost of consumer loan borrowers.

Special consumer finance scenarios were created. Customers were given access to a flexible combination of consumer finance products (e.g. home improvement loan and auto loan) and scenarios (e.g. home improvement, travel and other special consumer finance scenarios). Such “finance + life” scenarios were imbedded into products to meet the individualized, differentiated consumer needs very quickly.

Stronger support was provided for new urbanites. The Company took active measures to meet new urbanites’ financial needs such as housing, consumption and education, expanding the supply of financial consumer services for new urbanites. The Hua Xia e Loan product features were improved to integrate credit products with new urbanites’ consumption scenarios, boosting the availability and convenience of financial services for new urbanites.

As at the end of the reporting period, the balance of personal consumption loans stood at RMB86.595 billion, up 28.74% from the end of the previous year.

Wealth management and private banking

In accordance with the strategic plan to “build a wealth management bank with distinctive features”, the Company continued to improve the product service system, investment research and advisory support, collaborative mechanism and professional team building, systematically promoting the in-depth development of wealth management and private banking.

The shelf for selected products was improved to meet the wealth allocation needs of all customers. Guided by customer demand, the Company strengthened product selection, introduced personal wealth management products, exclusive commercial endowment insurance and Pre-REITs from several financial companies, adding offerings to the shelves of wealth management and private banking products. Through market-based screening, the scope of cooperation was expanded and external partners (e.g. funds, securities companies, trusts and insurers) were selected to build an open platform offering a full spectrum of products to all customer groups. The support for green finance was strengthened, and the Gerui series products focused on green bond investment were rolled out. With an insight into the service needs of customers in different life stages, the Company launched the customer service manual for wealth management and private banking to meet the diverse wealth management needs of customers, thus providing a precise and sophisticated service tool for hierarchical maintenance of wealth management and private banking customers.

The comprehensive advisory service ability was enhanced with a sharper leading edge in investment research. The buyer-side



investment research teams of the Head Office and branches were established to form a multi-frequency, multi-market and multi-category research system. The “Harness for Excellence and Success” investment strategy meeting was held and the new economy index series was refined to sharpen the leading edge in investment research. The CREATE five-step approach to work was innovatively launched, so as to broaden and deepen professional services through standardization. The “intelligent” series product service toolkit was developed for private banking customers, and the “commercial banking + investment banking + private banking” professional service tools were built to meet the comprehensive financial service needs of individuals, households, enterprises and social organizations through the lifecycle.

The collaborative creation activities were carried out to create a complete and smooth value chain of mega wealth management. The Collaborate to Create Initiative was held to strengthen the corporate-private link through collaboration between headquarters, between headquarters and branches and between institutions. The collaborative creation modes were developed for industrial and commercial enterprises, infrastructures, family trusts and standardized bonds. The “Private Banking Creation + Premium” service project was launched. With enhanced services for key areas and key customer groups, the Company continued to build a closed-loop value chain for mega wealth management.

The hierarchical staff training was strengthened to ensure that service quality and efficiency were better recognized across the market. The Company attached great importance to building the professional capacity of wealth management and private banking, aiming for deeper transition and healthy development of the wealth management and private banking business. The “four-pronged” professional team composed of wealth managers, investment advisors, product managers and customer managers was established. The first reserve talent pool of investment advisors was established and the “Hanlin Scheme” special training of wealth management managers was carried out on an ongoing basis. Through layered competency training, the layered customer retention service was further improved for higher quality and efficiency of team services.

Amid changing economic situation, capital market turmoil and net asset value (NAV)-based transition of distributed products, the Bank recorded a net fee and commission income of RMB1.645 billion from wealth management, down 10.41% year-on-year. At the end of the reporting period, the Company recorded RMB955.266 billion in total financial assets of personal customers, showing continued improvement in the structure of financial assets.

Acquiring and payment services

Adhering to the concept of “facilitating merchants, payment for the people”, the Company continued to optimize the features of payment acquiring and payment products and completed the transition to digital, intelligent and scenario-based acquiring and payment services, providing more valuable services for MSB settlement. The digital RMB merchants acquiring features were launched and the digital RMB acceptance scenarios were promoted and applied to accommodate the small and high-frequency consumption at brick-and-mortar merchants. The Hua Xia E Cashier product was developed under the “acquiring and payment + digital operation” model, providing merchants with intelligent and convenient payment collection services such as online intelligent bill payment, multi-level charge management and branch management. The Company worked together with the builders of payment scenarios to provide digital scenario-embedded payment, settlement and acquiring services to merchants in terms of intelligent catering, bill payment and cultural tourism.

Credit card

The credit card business adhered to the risk appetite of “prudent yet enterprising” risk appetite, with the risk control strategy upgraded to enhance the risk management capability. The credit card business remained people-centric, sped up product innovation and deepened customer management to promote stable business development.

The credit card product matrix was expanded continuously. The Company issued the Hua Xia Chinese Cartoon Card with Chinese cultural characteristics, the Hua Xia Premium Platinum Card with diverse user benefits, the Hua Xia UP Credit Card targeting young new urbanites and the Hua Xia American Express Upstart Card usable at home and abroad.

The development of consumer scenarios was intensified with an in-depth focus on fine-grained management of customers. The “Super Benefits” product series offering diverse value added services was launched to meet differentiated needs of card users. The installment customer mix was further improved to provide smart installment services by recommending individualized products, thus creating a platform-enabled closed loop of business through precision marketing. To provide diverse financials service solutions for customers, consumer scenarios were reasonably developed by vigorously developing scenario-based installment service and integrating commercial resources.

The Company kept optimizing the features of self-service channels, including “Splendid Life” APP, to provide customers with smarter and safer services, develop applications driven by “finance + scenarios” and build a more effective base of credit card marketing. As of the end of the reporting period, 13,403,800 users were registered for the credit card “Splendid Life” APP, up 33.33% from the end of the previous year.

With in-depth use of data, models and technologies, the risk strategy system based on “data + model + technology” was refined to enhance the capability of digital, automated and smart risk management empowered by technology, and eventually enable higher-quality and more efficient customer attraction and retention and risk management on a targeted basis.

As at the end of the reporting period, the Company had issued a cumulative number of 35,143,400 credit cards, an increase of 12.04% over the end of the previous year, and recorded RMB181.67 billion in balance of credit card loans, a growth of 4.20% over the end of the previous year. There were 21,666,700 ending valid credit cards, an increase of 5.22% over the previous year. The number of valid credit card holders was 18,104,700, up 6.86% year-on-year. During the reporting period, value of credit card-based transactions totaled RMB1,007.852 billion, representing a decrease of 3.40% year-on-year. The Company realized RMB15.533 billion income from credit card business, a growth of 3.07% over the previous year.

Transformation of retail business towards digital operation

A multi-channel digital service system was created. The Company created a “four-in-one” mobile marketing support platform that has integrated the Account Manager APP, cloud studio, WeChat banking and mobile banking. With such a digital omni-channel intelligent system in place to reach customers, coupled with offline professional teams including personal account managers and wealth managers, the products, services and account managers are available online on a 7*24 basis. The “fast, user friendly, interesting, preferential and fun” mobile banking was further optimized to upgrade personal online banking and build an intelligent online service system. During the reporting period, the Company registered 24,966,900 personal mobile banking users with an average monthly active users of 4,037,900, an increase of 10.15% year-on-year.

A whole-process data application system was created. To build an intelligent marketing middle-office, the Company kept improving the big data-driven digital customer management system, develop a full-fledged data marketing process encompassing data aggregation, data cleaning, data modeling, case generation, policy configuration, data distribution, result statistics and model optimization”. The Company also upgraded the omni-channel marketing system that takes personal CRM system as opportunity pool and enables coordination of all channels, including the Account Manager APP, mobile banking, WeChat, mobile and SMS, to effectively enhance the ability of data to create value

A multi-scenario digital ecosystem was built. Following the strategic trend of boosting domestic demand and consumption upgrading, the GBC integrated digital consumption ecosphere was built at a faster pace in collaboration with the industrial digital financial ecosystem platform. The “finance + life” application scenarios encompassing “housing, automobile, school, healthcare, travel and shopping” were developed. The retail digital ecosystem service system was developed in cooperation with horizontal alliances. The Company is in a gradual transition to scenario-based customer attraction, digital operation and ecosystem-based operations.

3.12.3 Financial market business

During the reporting period, the Company accelerated the financial market business transformation based on effective risk control, made in-depth analysis on the economic situations at home and abroad and the policies of major economies, strengthened market researches and forecasts, increased investment and trading and expanded cooperation with financial institution customers. The Company continued to optimize the working modes of custody services and “Wealth Management Factory” and enhanced customer acquisition ability and influence, effectively sharpening the edge in the financial market segment.

Financial market business

During the reporting period, the global financial markets became more volatile as the central banks of the United States, the eurozone and other economies raised interest rates and reduced their balance sheets at a faster pace. The prices of US Treasuries, gold and other assets fell significantly, and the US dollar appreciated sharply. The Russia-Ukraine conflict has significantly pushed up prices of energy, food and other commodities. The inversion of US and Chinese government-bond yields triggered temporary capital outflows from China’s bond market, coupled by the wave of wealth management product redemptions, sending the domestic bond market more volatile in the fourth quarter. The Company promoted the capital-light transformation of the financial market business, dynamically adjusted investment and trading strategies, flexibly carried out swing trading and increased trading volume in response to market changes. The interbank business increased standard, online and open product offerings while maintaining compliance and increased the proportion of standard investments. The interbank customer management system was deepened to expand counterparties and enhance the sales capacity, effectively giving an impetus to the custody and investment banking business. Interbank liabilities scaled up steadily at properly controlled costs. The bills trading volume hit a new record high, marking a higher activity level in the national bills market. The bills precision marketing system went live to enhance the corporate customer service features.

During the reporting period, the Company conducted 54,463 unsecured inter-bank lending and pledge-style repurchase transactions totaling RMB54,030.478 billion, up 1.41% from the previous year. The RMB and foreign-currency treasury transactions (full scale) totaled RMB63,626.53 billion, up 3.42% from the previous year. Specifically, the Company’s derivatives trading volume reached RMB4,998.859 billion cumulatively. During the reporting period, the Company was awarded the “Market Influence of the Year” (“Core Institutional Investor, Money Market Institutional Investor and Issuer of Interbank Certificates of Deposit”) and the “Market Innovation of the Year” (“CFETS Interbank Deposits and Bond Issuance”) in 2022 by China Foreign Exchange Trade System (CFETS), also known as the National Interbank Funding Center.

Box 2: Deepening Transition of Financial Market Business, Shaping a Circle of Friends in the Sector Faster

During the reporting period, the financial market business remained focused on transformation in the new plan period to shape an in-depth development pattern of three specialized segments, namely, treasury operations, interbank business and bills, to enhance competitiveness across the board.

The treasury operations continued to boost the investment research capacity to strengthen market making and expanding trading volume. Allocations to high-quality bond assets and green bond investments were expanded with stronger profitability. The foundation for exchange rate trading, bond lending and other major businesses was fortified to boost earnings.

The interbank cooperation maps were created. The Company deepened business cooperation with state-owned large banks, joint-stock banks, large city and rural commercial banks, securities companies, insurance companies, fund companies, trust companies and finance companies, developed tiered and classified maps of interbank cooperation, formulated marketing strategies based on customer needs, established customer demand and risk preference databases, enriched product offerings and achieved precision marketing. A system of dedicated financial services and products for financial institution customers. The distribution of private placement bonds and wealth management products were expanded. Mutual funds, insurance asset management plans and trust plans were added to third-party product distribution.

The online financial institution customer service platform was built. The Company started to build a comprehensive service platform integrating market information, trading, matchmaking and research features, which will provide various financial institutions with such financial services as information exchange, financing, product sales, asset trading, consulting, ESG data and evaluation and become a “connector” between other financial institutions. The Company also started the development of an enterprise-level digital financial institution customer information management platform, which employs digital and intelligent means to create a digital marketing system for financial institution customers covering a full range of customers, products, channels, scenarios and services.

The scale and efficiency of bills business increased rapidly. The coordination between the Head Office and branches was strengthened to increase the capacity of bills trading. The bills trading volume expanded by nearly 30% year-on-year, with the market activity and the stickiness of financial institution customers further enhanced. Headway was made in the new-generation bills system development through process optimization and product innovation on a Customer-centric basis, in a bid to boost the digital service capacity.

Asset management services

Hua Xia Wealth Management, focused on “building a premier wealth management factory”, continued to improve the ability to create “absolute returns”, strengthened asset creation and product issuance, accelerated the networking of sales channels and launched a direct selling APP to upgrade the omni-channel product distribution system. With the operations system efficiency further boosted, the compliance and risk control foundation was further cemented to maintain the leading edge in ESG.

At the end of the reporting period, there were 466 existing wealth management products with a balance of RMB513.397 billion, down 15.84% from the end of the previous year. The Company realized RMB3.366 billion of fee-based income from wealth management, a growth of 18.86% over the previous year.

Box 3: Building a Premier Wealth Management Factory for Absolute Return

Hua Xia Wealth Management is dedicated to building a premier wealth management factory toward the goal of absolute returns. Hua Xia Wealth Management explored the efficient operation mode of bank wealth management subsidiaries in the context of full NAV-based transition. After repeated practice and iterative upgrading, Hua Xia Wealth Management has gradually formed a “Wealth Management Factory” operation mode featuring large-scale production, systematic operation, fine-grained management, ESG integration and FinTech empowerment. The whole process of investment operation and product management was broken down into different business modules according to procedures and steps. With duties clearly assigned and split among modules, the core procedures such as investment research guidance, credit rating guarantee, strategy production, asset creation, product assembly and unified quality control are established. These procedures help create standard product outputs through interaction, collaboration and combination. By the end of the reporting period, Hua Xia Wealth Management’s factory mode had yielded good results. The brand image of premier wealth management factory has been widely recognized, and the path to absolute return has become clearer.

Asset custody services

Putting efficiency first, asset custody services focused on marketing for key products and key customers, strengthened business coordination among sectors, departments and subsidiaries within the Group and achieved sustained positive growth in the custody of mutual funds. Vigorous marketing was carried out for custody of public REITs, with the first deal successfully filed with the CSRC for review and breakthroughs made in cross-border custody. Asset custody services made greater overall contributions to the bank. Custody services were digitally transformed faster to build and upgrade the smart customer service and smart operations platform. The continuity of asset custody was ensured with greater flexibility and depth of operations. Anti-money laundering work on the asset custody front was intensified to enhance compliance management, fortify the foundation for internal control and boost the capability of risk management.

During the reporting period, the Company moved faster forward in securities investment funds and insurance fund custody. A total of 137 mutual funds under custody amounted to RMB255.796 billion, up 2.29% from the end of the previous year. They generated RMB236 million of fee-based income, up 25.44% year-on-year. The insurance funds under custody totaled RMB158.288 billion, up 6.76% from the end of the previous year. The Company registered 9,089 products under custody, covering securities investment funds, securities dealers' asset management plans, banks' wealth management, insurance-related asset management schemes, asset-backed special plans, and equity investment funds. Under the combined effects of a volatile and lackluster capital market and concentrated maturities, the assets under custody reached RMB3,473.635 billion, down 32.42% year-on-year, and custody fee income was RMB839 million, down 28.96% year-on-year.

3.12.4 Digital technology

During the reporting period, the Company stayed the course toward the strategic vision of "Smart Finance, Digital Hua Xia" and the goal of "first-class smart eco-bank". Closely aligned with the characteristics of the digital era, the Company remained guided by the digital technology plan, strengthened the enterprise architecture management and carried out action plans and tasks while implementing key projects. With breakthroughs made first in industrial digital finance, the integration of business and technology was deepened to fortify the foundation of data and technology, further promote bank-wide digital transition and comprehensively improve the quality and efficiency of serving the real economy with a package of measures.

Digital transition moved forward at full steam. 123 key tasks and 22 business line transition plans were carried out in accordance with the five-year action plan for digital technology transition. The quality and efficiency management mechanism for key projects was established to strengthen project progress, quality inspection, access and exit and quality evaluation. The enterprise-level digital customer management platform was added to the key projects. Taking innovation factory as the forefront of building an agile and flexible organization, the innovation factory was expanded to cover more projects. Bank-wide research and innovation resources were pooled to tap the bank's potential in digital innovation backed by a sound coordination and incentive mechanism. The action plan for digital talent system development in 2023-2028 was formulated. 39 courses with a total of 125 class hours were developed for three themes, namely digital cognition, digital skills, business digitization. The "Hua Xia Class – Digital Transition Series" gave 11 lectures in the year, attracting more than 36,000 viewers.

The innovation in industrial digital finance gathered steam. The Company created a number of digital products, including digital government procurement loan, digital freight loan and digital warehouse receipt loan, which were launched successively in energy, advanced manufacturing and other sectors. Five branches were selected as the first batch of specialist branches, fostering models of pioneering and piloting. Commodity trading scenarios were further mined to launch "Digital RTB", the first digital warehouse receipt product in the Shanghai Clearing House system and launched the electronic warehouse receipt-backed financing project, empowering a commodity ecosystem. The Company created innovative fault-tolerant mechanisms, including quick write-off and the mechanism ensuring that those who have fulfilled their duties are not held accountable. Incentive mechanisms such as cross-branch profit sharing, ecosystem-based overall pricing and earnings measurement were developed. The innovative driving force and coordinated business management were enhanced to continuously enhance the capability of industrial ecosystem services. Industrial digital finance recorded 1,666 new customers and RMB52.178 billion of new financing. The "Clearing Express" service for commodities registered 112 new customers, with the cumulative bilateral settlements amounting to around RMB136.4 billion. The Platform Link recorded 54 new customers with an annual trading volume of about RMB203.4 billion in aggregate.

Digital business operations were deepened. The comprehensive payment and scenario-based acquiring systems were integrated to develop an integrated online and offline payment channel, with 47,400 new scenario-based merchants added. The "fast, user friendly, interesting, preferential and fun" mobile banking became more agile and won the "Best Diverse Innovation Award for Mobile Banking" in the China Digital Banking Awards 2022. The farming, forestry, animal husbandry, sideline production and fishery scenarios were developed and the mobile number-based payment service was promoted to fuel rural revitalization and provide convenience for rural people. Progress was made in the Quick Win project and the digital customer management system, with the analysis and design completed for 2 major customer layers, 4 major customer groups and 8 large-scale use cases. Pilot branches registered a 20% increase in the financial assets of target customer groups, and the product purchase amount per customer rose by 40%. The Company won the "Digital Retail Marketing" Award of *Retail Banking*. The enterprise-level process management system was constructed, the process for core product offerings was reshaped, and process reengineering was completed for 210 high-frequency core products. Payment elements were digitally reconstructed and the e-confirmation project was launched to enable unified management of paper and electronic confirmations. The PRA integrated management platform was built to enable integrated management of scenario requirements, process monitoring and digital revenues. The "Lobby Steward" service system was built to expand digital service channels and develop the capacity of digital application.

The intelligent risk control system was gradually improved. The “Dragon Shield” enterprise big data-based risk identification and early warning system was promoted across the board, with enterprise risk data enriched and system functions iteratively upgraded. The Dragon Shield risk information has played a positive role in customer marketing, credit investigation, review and approval, lending management, post-lending inspection and NPA disposal. Ongoing support was provided for building the intelligent risk control system for industrial digital finance projects. With multi-dimensional data as the basis, model rules as the tools and system platform as the support, the intelligent risk control system covering risk identification, measurement, analysis and response was constructed, giving a boost to the integrated digital intelligent risk control capability ranging from pre-lending risk assessment to risk identification during lending and to post-lending risk monitoring. A self-regulatory sandbox system was established, with sandbox schemes designed for 37 industrial digital finance projects, effectively supporting the innovation in industrial digital finance.

The data infrastructure capacity was significantly enhanced. With a focus on important data application scenarios regarding retail, operations management and regulatory reporting, the King Yu Program furthered implementation of 36 key tasks, including data sources and metadata governance initiatives, to strengthen the quality control of source data. The data management capacity maturity assessment was conducted to implement a package of 27 enhancement measures in an ongoing effort to strengthen capacity building for data management. The data quality management process was further improved, the data quality rule base was optimized and data quality assessment was conducted on an ongoing basis. Data application was steadily carried out to plan and design the framework for data application scenarios. The Big Data Spring Tide Action was launched to build the data middle office, create teams across business lines and across the Head Office and branches and pursue in-depth implementation of data application scenarios in an agile manner. 69 internal and external exchange sessions were organized, attended by 11,000 people, to further deepen the integration of business and technology. 36 typical case studies on data application were organized to enhance bank-wide data to improve data cognition and application ability.

The FinTech capacity was steadily enhanced. During the reporting period, the Group’s IT investment reached RMB3.863 billion, representing a year-on-year increase of 16.39%. The data information middle office, the enterprise-level blockchain platform and the privacy computing platform were launched to speed up the data entry into warehouse and lake and consolidate the bank-wide data base. A domestic full-stack cloud platform and a cloud command center were established to enable unified resource management and ensure business continuity under extreme circumstances. An enterprise-level low code platform was created and promoted to empower technical staff, manifesting higher efficiency of application development and delivery than traditional development tools. The cloud native development platform was continuously integrated, supporting the go-live of more than 10 systems, including industrial digital finance. It covers systems of the Head Office, financial leasing and wealth management subsidiary, with a gradually expanding scope of application. The enterprise architecture construction was advanced, with a plan formulated for the enterprise architecture governance system to refine the implementation paths and effectively strengthen control over enterprise architecture. The systems and mechanisms for innovation in digital technology were improved and a working mechanism for open competition in digital technology innovation was established to fully unleash the passion for innovation. An enterprise-level customer information management system was created to lay the foundation for unified customer information management, improving the quality and efficiency of customer management, marketing and data reporting. The settlement and cash management platform was built to deliver tailor-made settlement account services and provide customers with one-stop comprehensive services of “account management + settlement services + industry scenarios”. The “New World” Forum through-train mechanism was furthered, so as to quickly convert the questions and optimization suggestions from front-office personnel into requirements for implementation, effectively making the systems more user-friendly.

Box 4: Accelerating Smart Operations Driven by Innovation

In adherence to innovative development, the Company sped up smart operations mainly through digital empowerment. As a milestone in the enterprise-level remote banking development, the all-media communication platform for enterprise-level remote banking was set up. Two remote video scenarios were launched, namely, video-based consulting for personal mobile banking and video-based operational guidance for corporate online banking, providing customers with non-contact service experience of “one-touch access from the ease of home”. In a transition to light-weight, intelligent and scenario-based outlets, a financial service ecosystem was built to enable self-service banking for more than 90% of high-frequency personal transactions, providing customers with convenient, quick and efficient one-stop financial services. By the end of the reporting period, 27 branches had embarked on transition of outlets and 42 branches had completed the transition. The One Thousand Digital Operations Talents Plan was kicked off. The special training camp on data analysis and modeling targeting data analysts and digital product managers was organized and the modeling training class for corporate banking was held to boost the digital level of operations talent.

New technologies were integrated and applied to intelligent operations. The robotic process automation (RPA) was promoted across the board for large-scale application. RPA scenarios covered reconciliation of statements, auxiliary operations, credit business and data collection, so as to maximize the value of digital employees. An enterprise-level remote audio and video system was created to enable online video verification of legal representative’s intent to apply for corporate account opening. The optical character recognition (OCR) system was further applied, with VAT invoice and other new customized models added and the self-service bill recognition scenarios implemented to help upgrade the digital management. The customer service robot system was further optimized to increase the accuracy of speech and semantic understanding, effectively reducing labor costs and comprehensively enhancing customer experience.

Box 5: The Digital Innovation Factory Set Sail

Taking the Digital Innovation Factory as the forefront of building an agile and flexible organization, the Company pooled the research and innovation resources within the bank in a shared workplace, established an agile collaboration and quality & efficiency control mechanism and incubated the industrial digital finance, retail and other innovation projects, shaping a sound development pattern driven by the consumer digital ecosystem and the industrial digital ecosystem.

Solid progress was made in the innovation factory development. A dedicated office space was allocated for the Digital Innovation Factory, with the startup zone, incubation zone and pilot run zone set up in ascending order, so as to encourage innovation teams to strive for excellence and boost the overall efficiency of innovation. By the end of the reporting period, there were 38 projects housed in the Digital Innovation Factory. The Digital Innovation Factory management mechanisms were created and improved. First, the horse-racing mechanism unleashes the vitality of innovation through the "survival of the fittest" doctrine. Second, the red and yellow cards alert mechanism warns and forces the exit of problem projects to improve the quality and efficiency of innovation. Third, the project recap mechanism accumulates experience in innovation through project review and replication. A flexible team composition across the Head Office and branches and across business lines was created to boost the efficiency of innovation organization, promote the integration of business and IT, greatly shorten the project delivery period and establish an experimental field for agile and flexible management.

The in-depth integration of retail transition and digital transition was accelerated, with stronger effort made to build a dedicated IT team for retail. Talent attraction was fast-tracked in the fields of requirements, development and data. The iteration efficiency of key retail products was increased, with key projects including scenario-based acquiring and mobile banking iterated biweekly. Targeted service models were created for customer groups such as wealth management, payroll service, new customers and individual loan, giving an impetus to digital management of customer groups.

By the end of the reporting period, a total of 22 industrial digital finance projects incubated in the Digital Innovation Factory have begun to issue loans to advanced manufacturing, smart buildings, digital logistics, digital government and commodity ecospheres. With a growing ability to serve industrial ecospheres, the pilot program on agile organization began to yield results. The factory incubated the digital freight loan innovation project for 95306 railway freight enterprises, which is based on digital credit and decentralized. Given its unsecured, online and high-quota features, the project was selected as a typical case at the first National Enterprise Digital Transformation Summit Forum of 2022 Global Digital Economy Summit.

3.13 RISKS AND RISK MANAGEMENT

During the reporting period, the Company fully implemented the decisions and plans of the CPC Central Committee and national policy requirements, remained oriented to serving the real economy and forestalling financial risks, enhanced the lifecycle management of assets and kept improving the risk management system. Highly responsive to changes in internal and external conditions, the Company managed to effectively control risks to ensure and promote high-quality development of the Company.

3.13.1 Credit risk status

Credit risk refers to the possibility of loss and uncertainty of income caused by customer default or decreased credit standing to the Company, when the bank operates credit, inter-bank lending and investment businesses. The credit risk of the Company mainly exists in the on-balance-sheet and off-balance-sheet businesses including loans and advances, placements with banks and other financial institutions, interbank lending, bond investments, bill acceptance, letters of credit, and letters of guarantee.

3.13.1.1 Organizational framework and division of responsibilities of credit risk management

The Company has established a credit risk management organizational framework with reasonable duty division and definite responsibilities. Established under the Board of Directors, the Related Party Transactions Control Committee is responsible for managing related party transactions and the Risk Compliance and Consumer Protection Committee is responsible for formulating risk management policies and supervising the management of various risks by the senior management. Established under the senior management, the Credit Investment and Financing Policy Committee of the Head Office is responsible for managing the credit and non-credit investment and financing policies of the Bank; risk management and internal control committees of the Head Office and branches review comprehensive risk management matters, arrange and coordinate risk management and internal control work; the Asset Risk Disposal Committee is responsible for researching and approving matters on asset risk handling; the risk management departments of the Head Office and branches are responsible for credit risk management of the whole bank and local branches; according to the authorization system and business risk profile, the Company conducts professional approval and authorization approval of important industries and businesses; the Company strengthens functions of each link of credit business, and sets up positions with definite responsibilities and smooth operation.

3.13.1.2 Credit asset risk classification procedures and methods

Pursuant to the requirements of the former CBRC's *Guidelines on Loan Risk Classification*, the Company classified credit asset risks in consideration of such financial and non-financial factors as the solvency, willingness to repay, repayment records and guarantee condition of the borrowers and their internal management, according to the step-by-step identification procedures: preliminary classification by the customer manager, review by the customer manager in charge, and then review, recheck and identification by the branches' credit risk management personnel.

3.13.1.3 Credit risk profile

Credit exposures: At the end of the reporting period, without regard to the available collateral or other credit enhancements, total on – and off-balance-sheet credit exposures of the Group amounted to RMB4,540.944 billion, including on-balance sheet business exposure of RMB3,557.241 billion, representing 78.34% of the total, and off-balance sheet business exposure of RMB983.703 billion, representing 21.66% of the total.

Large-value risk exposure management. Pursuant to the *Administrative Measures for Large Risk Exposures of Commercial Banks*, the Company carried out large risk exposure management, monitored and reported large risk exposures on a quarterly basis, proceeded with building of the large risk exposure system and kept enhancing large client risk control at the Head Office and branches. At the end of the reporting period, the Company and the Group saw all their non-banking single customers, non-banking related customers, interbank single customers and interbank group customers meeting the regulatory requirements.

For further details of credit risk management of the Company, please refer to “3.14.1 Asset quality management” in this report.

3.13.2 Liquidity Risk status

Liquidity risk is the risk that the Company may be potentially unable to meet the asset growth and debt obligations when due at a reasonable cost. Main factors affecting the liquidity risk include: sudden tightening of market liquidity, substantial deposit runoff and the debtor's default and weakening financing capacity.

The Company's goal of liquidity risk management is to maintain sufficient funds in either normal or stressed business environment to accommodate asset growth and debt service, so as to harmonize “safety, efficiency and liquidity”. The Company has in place a sound system of liquidity risk management. First, the governance framework was improved. The decision-making system consists of the Board of Directors and its special committees as well as the Asset and Liability Management Committee of the Head Office. The supervisory system consists of the Board of Supervisors and the Audit Department and the Legal and Compliance Department of the Head Office. The execution system consists of the Budget and Finance Department and other specialized management departments of the Head Office and branches. Each of these systems performs corresponding decision making, supervision and execution functions according to division of responsibilities. Second, the system of policies and procedures have been refined. The Company has in place a fairly complete set of liquidity risk appetite, strategy, procedures, and measures, and introduced specific management responsibilities, flows and methods. Third, management measures have been optimized. The Company set a system of liquidity risk monitoring indicators, conducted stress tests and emergency drills, created a liquidity risk assessment mechanism, established an information management system and effectively managed the identification, measurement, monitoring and control of liquidity risk.

During the reporting period, PBOC maintained a prudent monetary policy, strengthened cross-cyclical adjustments and used a package of monetary policy tools to keep market interest rates stable and the banking system liquidity reasonably ample in general. The Company continued to implement a generally prudent liquidity appetite, strengthened expectations management, dynamically adjusted the internal management strategy and measures to reflect changes in market conditions and harmonized the liquidity and efficiency. First, with deposits maintained at the heart of the bank, the deposit-taking effort was intensified. The deposit support was strengthened through deposit retention and attraction along customer chain and fund chain. Second, stronger effort was made to take medium- and long-term deposits. The Company seized policy and market opportunities to replenish medium- and long-term funds from various channels and reasonably arrange market-based funds, so as to lower the dependence on short-term interbank funds and reduce the mismatch level. Third, the management of loan-to-deposit ratio was enhanced. The “lending according to deposit” doctrine was enhanced, with deposit growth and liquidity stability taken as the precondition on lending and day-to-day monitoring strengthened. Fourth, maturity mismatch management was strengthened. The proportion of medium- and long-term assets was lowered appropriately in line with interest rate trends. Asset circulation was accelerated to boost asset liquidity and improve the maturity structure of liabilities. Fifth, intraday liquidity management was strengthened. The large fund forecast management was intensified to refine management of positions. Sixth, extension management was stepped up to improve the liquidity risk management plan for subsidiaries. During the reporting period, the Company's liquidity position remained stable without any payment difficulties, default or deferred payment. All regulatory indicators relating to liquidity reached the prescribed standards. At the end of 2022, liquidity coverage ratio was 150.11% and net stable funding ratio was 108.61%.

Next, the Company will ensure the safety of liquidity, adhere to a prudent liquidity appetite, strengthen consolidated management of liquidity risk, improve the ability to resist liquidity risk of the Group, strengthen emergency management and strengthen dynamic monitoring and real-time warning.

Liquidity coverage ratio

(Unit: RMB1 million)

Item	31 December 2022
Stock of high-quality liquid assets	439,527
Net cash outflows over a 30-day time period	292,810
Liquidity coverage ratio (%)	150.11

Note: The above are consolidated data calculated according to the *Notice of CBIRC on 2022 Offsite Regulatory Statements Preparation and Reporting* (Y.B.J.F. [2021] No. 48) and the *Liquidity Risk Management Measures of Commercial Banks* (CBIRC No. 3 Decree in 2018).

Information on net stable funding ratio

(Unit: RMB1 million)

Item	31 December 2022	30 September 2022
Available stable funding	2,148,004	2,127,461
Required stable funding	1,977,747	1,948,123
Net stable funding ratio (%)	108.61	109.21

Note: The above are consolidated data calculated according to the *Notice of CBIRC on 2022 Offsite Regulatory Statements Preparation and Reporting* (Y.B.J.F. [2021] No. 48) and the *Liquidity Risk Management Measures of Commercial Banks* (CBIRC No. 3 Decree in 2018).

3.13.3 Market risk status

Market risk is defined as the risk of loss to the Company's on – and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). The main market risk confronting the Company includes interest rate risk and exchange rate risk. The Company established a sound market risk management system appropriate for the Company's business nature, size and complexity and spanning the entire process of identification, measurement, monitoring and control.

The year 2022 saw RMB depreciate in a bumpy fashion amid the ongoing Russia-Ukraine war and rising global inflation. The market interest rate stayed low. In view of the macro-economic and financial complexities at home and abroad, the Company continued to strengthen the market risk management mechanism in line with the market risk appetite and strategy, flexibly used the market risk limit and stress testing management tools and intensified analysis and control of key businesses. During the reporting period, the Company managed market risk well, keeping all market risk limits within the appetite range and the market risk at a controlled level.

3.13.3.1 Interest rate risk management

As for the trading book, the Company set limit indicators for interest rate trading instruments such as bonds, funds and interest rate swaps in line with the market risk appetite and risk management strategy, including exposure, stop loss, interest rate sensitivity and value at risk (VaR), ensuring the stability of business on every front. With stronger analysis on market situation and close attention to Russia-Ukraine war, the Federal Reserve's interest rate hike and other major events, stress testing was conducted in response to market changes. Overall, all the above businesses fell within the market risk appetite and limit and the interest rate risk in the trading book remained under control.

In the banking book, the Company adhered to a prudent interest rate risk appetite, formulated and dynamically adjusted the risk strategy based on enhanced forecast on interest rate movements, kept improving the risk management system and managed interest rate risk more effectively. Interest rate risk management was refined by enriching the application of management tools, enhancing risk monitoring and analysis and strengthening internal management coordination. Overall, the re-pricing maturity of assets and liabilities denominated in major currencies at the Company was distributed reasonably. The impact of interest rate risk changes on the Company's earnings and value was under control.

3.13.3.2 Exchange rate risk management

In the trading book, the Company kept strengthening limit control over proprietary business and actively managed exchange rate risk with such limit indicators as exposure, stop-loss and VaR. The foreign exchange business system was improved to reinforce the foreign exchange business process management. Stress test scenarios were enriched in line with the risk characteristics of foreign exchange derivatives, increasingly enhancing the measurement capability. Overall, all the above businesses fell within the market risk appetite and limit and the exchange rate risk in the trading book remained under control.

In the banking book, the Company reasonably matched assets and liabilities in RMB and foreign currencies and controlled the currency mismatches through such methods as scenario analysis and stress testing. The foreign exchange position-closing and exposure management was further strengthened. Overall, the banking-book currency mismatch was mild and the overall foreign exchange exposure was low, so exchange rate changes had a controlled adverse effect on the Company.

3.13.4 Operational Risk status

Operational risk is the risk of loss arising from the Company's inadequate and faulty internal processes, staff and IT systems or caused by external events. It includes legal risk but not strategic or reputational risk.

During the reporting period, the Company actively strengthened operational risk control and kept boosting the effectiveness of risk identification, monitoring, assessment, control, measurement and reporting. First, the Company effectively used a variety of operational risk management tools to strengthen operational risk identification, prevented and controlled operational risk at the source, refined assessment standards, deepened the review and verification mechanism, emphasized ongoing improvements for problems found and kept enhancing the quality and efficiency of operational risk and control self-assessment. It optimized and adjusted key risk indicators, strengthened risk monitoring of personnel in key business fields and core job positions, continuously improved the real-time operational risk monitoring capability and issued early risk warnings. The Company collected operational risk events and loss data in a timely manner, enhanced the analysis and notification of typical incidents and strengthened the internal control mechanism. Second, the Company strengthened risk prevention and control in key fields, released timely inter-bank risk information, analyzed and notified major points of operational risks based on implementation of operational risk management tools and caused prominent operational risk issues to be solved. Third, the Company strengthened the development of operational risk culture, revised the administrative measures for conduct of employees, organized self-assessment of employee conduct management, provided multi-level training on management of operational risk and employee behaviors and guided all at the Bank to maintain professional integrity. Fourth, preparatory work was well done for implementation of the new standardized approach to operational risk, the operational risk event management mechanism was refined, the historical loss data cleaning and entry were carried out, and the capital measurement and loss data optimization features of the operational risk management system were launched to comprehensively improve data quality. During the reporting period, the operational risk management system of the Company enjoyed stable operation, placing operational risk under control in the overall sense.

3.13.5 Explanation on status of other risks

Compliance risk status

Compliance risk is the risk of legal sanction, regulatory punishment, material financial losses or reputational damage arising from the failure to comply with laws, rules and standards.

The Company has in place an organizational structure for compliance management commensurate with its scope of business, organizational framework and business scale. The Board of Directors is ultimately responsible for the compliance of business operations. The Board of Supervisors supervises the performance of compliance management duties by the Board of Supervisors and the Senior Management. The Senior Management effectively manages the compliance risk of commercial banking. The compliance chief is responsible for organizing the management of compliance risk across the board and supervising the duty performance of the compliance management department according to the annual compliance work arrangements. The compliance management department, led by the compliance chief, is responsible for assisting the Senior Management in effectively managing compliance risks facing the Company. The head of a business line, branch or subsidiary is primarily responsible for the compliance of the business activities of the business line, branch or subsidiary.

During the reporting period, the Company operated in accordance with laws and regulations to ensure full regulatory compliance. Putting compliance first and practicing substantive compliance, the Company kept building compliance mechanisms for higher quality and efficiency of compliance risk management. First, to consolidate achievements in the “Year of Improving Internal Control and Compliance Management”, the “Compliance for Sustainability” campaign was carried out, ensuring bank-wide compliance through a series of activities such as reviewing and refining policies and procedures, case study sessions, compliance questions and answers, compliance talks credit fraud crackdown. Second, the *Measures for Compliance Risk Management of Hua Xia Bank* was revised to establish a joint compliance risk examination mechanism featuring coordinated work of the first and second lines of defense. Third, the scope of “Four Focus Points” was defined for swindle prevention and control. Swindle prevention efforts remained intense and relevant responsibilities effectively performed at all levels. Fourth, the grid-like bank-wide supervision and inspection system was improved, thereby boosting the efficiency of examination at the first line of defense and strengthening supervisory review at the second line of defense. Fifth, credit due diligence was expanded in scope and moved forward to earlier stages. Sixth, the accountability mechanism was improved, with severe punishments imposed on non-compliance to highlight the warning and deterrent role of the mechanism. Seventh, the special campaign on intensive AML self-examination was thoroughly carried out to enhance the assessment and control over the money laundering risk of customers and institutions. Eighth, compliance culture development made significant headway through “legal compliance lecture series” and case study tour lectures, so as to uphold the compliance philosophy, raise all employees’ awareness of putting compliance first and foster a sound atmosphere of proactive and substantive compliance across the board.

IT risk status

IT risk means operational, legal and reputational risk arising from natural factors, man-made factors, technical vulnerabilities or management deficiencies in the use of information technology by the Company. During the reporting period, the Company continued to strengthen the ability to prevent and control IT risk. Smart operation and security management were intensified. A drill was conducted on switchover to local disaster recovery center without system interruption, providing effective protection for continuity of business systems. The cyber-security defense-in-depth system was further fortified to enhance operational security management. The screening and rectification of security vulnerabilities were enhanced. Cyber-security was assured for special periods such as the 20th National Congress of the CPC Central Committee and the Beijing Winter Olympics and Paralympics. The ability to prevent and control cyber-security risks was increasingly boosted. During the reporting period, the Company kept its information systems running stably and maintained a 100% overall availability of important information systems. The IT risk was kept under control overall.

Reputational risk status

Reputation risk refers to the risk of negative assessment or comments on Company from stakeholders, the public and media as a result of the Company’s behavior, employee behavior or external events, thus undermining its brand value, adversely affecting its normal operation and even affecting the market stability and social stability. During the reporting period, the Company fully implemented regulatory requirements to further clarify the management duties to relevant entities and individuals, improve relevant mechanisms and processes, foster the reputational risk culture and steadily enhance the reputational risk management. The Company followed the principle of being forward-looking, matched, all-encompassing and effective, remained focused on central areas of business and problem-oriented with stronger risk awareness and brought forward the prevention of reputational risk to earlier stages. The reputational risk management system and mechanism were refined and the response processes were streamlined to effectively improve the reputational risk management to a higher level of quality and efficiency. The Company strengthened positive publicity and brand building, actively conveyed professional, rational and objective voice, responded promptly to public concerns, reasonably guided public opinions and adequately built up reputation capital, fully showcasing the Company’s public image as responsible corporate citizen in its 30th year.

Country risk status

Country risk is the risk of losses incurred in certain countries or regions due to local economic, political and social changes or local borrowers’ inability and unwillingness to repay debts arising therefrom. During the reporting period, the Company kept strengthening the management of country risk limit, paid timely and due attention to the sovereign credit ratings of relevant countries and regions published by external rating agencies, kept a close eye on the country risk and allocated sufficient country risk reserves. The Company’s country risk exposure accounted for a low proportion of the on-balance-sheet assets. So the country risk remained under control on the whole.

3.14 KEY CONCERNS IN OPERATION

3.14.1 Loan quality management

At the end of the reporting period, the Group recorded 2.78%, 1.75% and 1.87% in ratio of special mention loans, NPLs and overdue loans respectively, down 0.32, 0.02 and 0.01 percentage points from the end of the previous year, respectively. Asset quality indicators showed continued improvements.

During the reporting period, the Company resolutely implemented the decisions and plans of the CPC Central Committee and the State Council to ramp up its support for the real economy. While serving the real economy with higher quality and efficiency, the Company improved the asset quality and management capability by actively forestalling and defusing financial risks, deepening the lifecycle management of assets, strengthening the policy system building and transmission, optimizing the business restructuring and enhancing the credit risk control in key areas.

First, the credit policy and credit strategy system was improved to keep optimizing the business structure. Credit and investment/financing policies were formulated and issued. These policies were implemented through breakdown of policy objectives, refining of evaluation plan and regular monitoring and assessment. The important national policies and economic performance were tracked and interpreted dynamically, with policy measures refined or intensified at appropriate times for higher responsiveness and efficiency. The Company kept track of the industry developments, made timely adjustments to the industry judgment, strategy orientation and access criteria, gradually extended the industrial chain and increased the graduality of sub-industries. The regional credit strategies were reviewed and updated in a well-organized fashion, with branches guided to effectively support the local real economy.

Second, the quality and efficiency of the approval process was further enhanced to promote solid business development. The Company conducted ongoing researches and formulated credit approval guidelines and risk checklists for key industries and fields, strengthened the assessment of branches' approval functions and capabilities, key positions and key fields and guided branches to ensure proper credit approval. The differentiation and dynamic management of credit authorization were refined, with a regular credit pre-examination mechanism established and stronger support given to major strategic regions, key industries, quality customers and "commercial banking + investment banking" business. Higher approval limits were granted for manufacturing and quality customers to further differentiate credit authorizations among branches, boost the efficiency and quality of credit approval and eventually promote solid business development.

Third, post-investment/lending management was refined to effectively prevent new risks. The dimensions of monitoring and early warning were broadened and supervision and guidance were strengthened, with a focus on regular monitoring and analysis in terms of risk identification, process management and post-warning management. The Company further unleashed the role risk managers in risk prevention and control, enhanced the quality of credit investigation, properly managed and monitored credit access in key fields and managed to effectively prevent new risks.

Fourth, transformation of NPA disposal was deepened to accelerate the handling of existing risks. The operation and management mechanism for NPA disposal was improved, with the central management and classification of NPAs intensified to collect bad debts and dispose of NPAs more efficiently. During the reporting period, RMB35.177 billion of NPAs were recovered or disposed of, including RMB7.647 billion of cash collection, RMB25.354 billion of bad debt write-offs and RMB2.176 billion of repossessed assets.

Fifth, risk management became more advanced amid the transition to digital risk control. The "Year of Digital Risk Control Transition" campaign was carried out. The industrial digital finance and other key digital risk control projects were determined and implemented. Digital credit and risk control models were created, internal and external data were introduced and integrated and the application of big data in the fields of credit and risk control was deepened, so as to enhance the efficiency and precision of risk control.

Sixth, risk culture development was deepened to boost all employees' awareness and capability of risk control. A special campaign on risk culture enhancement was carried out. The "prudent yet enterprising" risk culture was promoted and implemented, giving equal weight to prevention and control, in a bid to shape a uniform risk culture philosophy and code of conduct. The professional training system for risk management was strengthened to enhance the risk control awareness and skills across the Company.

In 2023, the Company will adhere to the general principle of "pursuing progress while ensuring stability", fully implement national policies and regulatory requirements, continue to improve the quality and efficiency of serving the real economy and exert every effort to forestall systemic financial risks. With a focus on enhancing the ability to create value through risk management, the Company will deepen the lifecycle management of assets and keep improving the risk governance system in pursuit of high-quality business development of the Company.

3.14.2 Net interest margin

During the reporting period, the Group's net interest margin (NIM) was 2.10%, a decrease of 25 bps from the previous year. The Company actively implemented the regulatory requirement of reducing the overall financing cost of enterprises and increased financial service support for the real economy, resulting in a decrease in the return on assets. Meanwhile, the windows of market interest rate operations were utilized to steadily bring down the cost of liabilities, keeping NIM at reasonable levels.

During the reporting period, the Company adhered to the general principle of "pursuing progress while ensuring stability", coordinated stabilizing growth with preventing risks, insisted on promoting high-quality development, combined tapping into internal potential with expanding externally and combined precise pricing with structural improvement, thereby boosting the quality and efficiency of development and stabilizing interest spreads. First, transformation continued to gain steam and the asset structure was further rationalized to ensure stable returns. The corporate banking transition was furthered to tap deep into the "industry + customer" management strategy and speed up the "commercial banking + investment banking" transition, with risk pricing and comprehensive customer pricing deepened to accelerate the switchover of growth drivers. The retail banking transition gained momentum, taking the opportunities in consumption recovery and housing loan market to accelerate lending, strengthen customer cross-marketing, tap the potential for higher quality and efficiency and boost the economies-of-scale contribution of retail loans. The financial market business transition sped up, seizing market opportunities to accelerate circulation and increase. Second, while stabilizing the scale of liabilities, the Company focused on structural optimization and cost control to maintain its edge in cost effectiveness. Rigid assessment was combined with flexible management. The closed-loop management of funds was refined. More settlement deposits were taken and the volume and price of high-cost deposits were dynamically controlled, in an effort to expand higher-quality deposits and keep the cost of deposits lower than comparable peers. The mechanism for comparing fund prices was improved to replenish funds from various sources and improve the liability structure.

At present, the external environment is becoming increasingly complex and grim. Overseas inflation is running hot amid an increasing downside risk of the global economy. China's economic recovery is still on a fragile footing. The Company will continue to put creation at the core and take transition as a driving force, strengthen the restructuring of assets and liabilities and improve the quality and efficiency of development to keep NIM within a reasonable range.

3.14.3 Inclusive finance

The Company follows the policy guidance from the central government and regulatory authorities and heightens its political stance, adding luster to its brand image as a "SME financial service provider" and building a sound image of serving the national development objectives and real economy. Toward its five-year development goals, the Company has kept deepening its systems and mechanisms to create a new pattern of development led by strategy, driven by innovation and full of energy in a faster pace of transformation.

First, the Company continued to focus on MSE financial services while remaining oriented to serving national macro policies and serving the real economy. As at the end of the reporting period, the Group's balance of MSB loans recorded RMB565.47 billion, an increase of RMB74.721 billion or 15.23% over the end of the previous year; the number of MSB borrowers was 789,120, an increase of 145,572 from the end of the previous year, up 22.62%. The balance of MSB loans within the scope of "two no-less-than" stood at RMB160.904 billion, up RMB22.865 billion or 16.56% over the end of the previous year, 12.90 percentage points above the growth rate of total domestic loans. 670,140 customers had outstanding loans with the Company, an increase of 35,401 or 5.58% over the end of the previous year. In addition, the Company implemented the regulatory requirement of "pushing for lower financing costs and encouraging interest concessions to micro and small businesses". The "two no-less-than" MSE loan rate was 5.84%, and the NPL ratio was 1.48%, both kept at a reasonable level.

Second, the allocation of resources was strengthened to continuously improve the "Head Office – branches – sub-branches" MSB service system. A long-term mechanism was created to encourage and support MSB lending. The internal drivers of MSB financial services were strengthened by improving the MSB assessment policies, separate credit plans for MSBs and providing 100% support in terms of credit resources. As of the end of the reporting period, the Company has set up the Inclusive Finance Departments at the Head Office and 43 tier one branches. The three sub-branches in Shaoxing, Changzhou and Wenzhou played a prominent demonstration role in inclusive finance. In addition, sub-branches were encouraged to appoint a reasonable number of MSB customer managers in line with the development of the MSB credit business volume.

Third, the Company actively supported business reopening of MSEs to better fulfill its political responsibility. The Company expanded its inclusive finance product family with a focus on product innovation and promotion, created a dedicated "Inclusive Private Enterprise Express Product Supermarket" and developed the "Specialized and Sophisticated Enterprise Loan", thereby improving its ability to serve specific customer groups. It launched a variety of customized products, loan forbearance, re-lending and renewal services, and implemented process streamlining measures such as phased simplification of materials, remote interview and online data migration to provide enterprises with reliefs and fulfill the corporate social responsibility.

3.14.4 "Three Regions" development strategy

The Three Regions development strategy represented a move to implement the State's major regional development strategies launched by the CPC Central Committee and the State Council to pursue the coordinated development of the Beijing-Tianjin-Hebei Region, integrated regional development of the Yangtze River Delta and development of the Guangdong-Hong Kong-Macao Greater Bay Area. Following the principle of concentrating resources in development of key regions, the Company formulated special plans, intensified policy support and deepened differentiated management in a bid to develop branches in the "Three Regions" into the experimental fields for financial innovation, the bellwethers for business transformation and the main contributors to earnings. At the end of the reporting period, the Company's outstanding loans at branches in the Three

Regions amounted to RMB1,464.894 billion, up 4.22% year-on-year, with a balance of deposits of RMB1,333.559 billion, up 7.94% year-on-year. The regional profit for the year totaled RMB24.179 billion, up 15.76% year-on-year.

The **Beijing-Tianjin-Hebei Region Branch** strove to get integrated into the local mainstream through business transformation with the aim of becoming “a lead bank serving the coordinated development of the Beijing-Tianjin-Hebei Region financially”. In support of the relocation of non-capital functions and with a focus on serving the “One Core and Two Wings”, the branch strengthened investment and financing services for key projects for coordinated development of the Beijing-Tianjin-Hebei Region based on regional economic characteristics and industrial development trends. Stronger financial support was provided for key enterprises and projects in the Beijing-Tianjin-Hebei Region. Support was also provided for the region-wide joint efforts on environmental protection and infrastructure development, with technological innovation coordinated with industry deployment. At the end of the reporting period, the Company’s outstanding loans to the Beijing-Tianjin-Hebei Region amounted to RMB560.897 billion, down 1.51% year-on-year, with a balance of deposits of RMB457.401 billion, up 13.62% year-on-year. The regional profit for the year totaled RMB8.578 billion, up 12.31% year-on-year.



Shijiazhuang Branch supported ecological restoration of the Beijing-Hangzhou Grand Canal

The **Yangtze River Delta Branch** strengthened systems and mechanisms in pursuit of high-quality integrated development. It played an active part in building the Yangtze River Delta into a self-dependent innovation hub, established a new model of financial services for technological innovation in the Yangtze River Delta and increased resource support for lending to advanced manufacturing and technological innovation. The branch accelerated its effort to shape a new landscape of retail banking transition in the Yangtze River Delta, created access to the consumer finance scenarios in the region and promoted the transformation of outlets to retail-oriented ones. All-out effort was made to build the branch into an offshore business hub taking the opportunity of Shanghai’s drive for an international financial center. Keeping in line with the transformation to a “Digital Yangtze River Delta”, the branch implemented the industrial digital finance at a faster pace to improve the data management platform of the Yangtze River Delta. Deeply involved in the “Green and Beautiful Yangtze River Delta” program, the Company created new models of green finance cooperation in the Yangtze River Delta to pilot the mechanism for green finance innovation. At the end of the reporting period, the Company’s outstanding loans to the Yangtze River Delta amounted to RMB661.87 billion, up 7.25% year-on-year, with a balance of deposits of RMB615.362 billion, up 8.03% year-on-year. The regional profit for the year totaled RMB12.373 billion, up 20.27% year-on-year.

The **Guangdong-Hong Kong-Macao Greater Bay Area Branch** endeavored to build a cross-border financial service system with the aim of becoming a reform demonstration area and pilot area. Breakthroughs were made in innovation-driven development, with a focus on four fields, namely, retail banking, trade finance, financial market and FinTech, and on two sectors, namely, infrastructure and green finance. As part of the innovative green finance products and services, the branch launched the first battery energy storage project funded by the World Bank loan and the use of wealth management funds to invest in green bonds. In innovatively serving the real economy, the branch successfully launched the first technological innovation instrument in the Greater Bay Area and the first real estate relief M&A deal in the sector. The branch harnessed the free trade and free cross-border capital flows of the Hainan free trade zone to complete the Company’s first QFLP fund custody deal and first ODI foreign exchange registration successively. Hong Kong Branch as an offshore platform was officially licensed for wealth management and private banking and made innovative breakthroughs on various business fronts. At the end of the reporting period, the Company’s outstanding loans to the Guangdong-Hong Kong-Macao Greater Bay Area amounted to RMB242.127 billion, up 10.54% year-on-year, with a balance of deposits of RMB260.796 billion, down 0.94% year-on-year. The regional profit for the year totaled RMB3.228 billion, up 9.02% year-on-year.

3.14.5 Management of real estate loans

During the reporting period, the Company upheld the principle that “houses are for living in, not for speculation” and strictly implemented the real estate curb policy and regulatory requirements. Staying close to the objective of “stabilizing land price, housing price and expectations”, the Company recalibrated its credit policy to focus on “key regions, key customers, key forms of business and key projects”, issuing real estate loans in a well-ordered manner to meet the reasonable financing needs of property developers. The Company supported first-time homebuyers and home upgraders, carried out real estate M&As actively and prudently, cooperate with local governments by providing financial support to ensure the delivery of housing, people’s livelihood and stability, so as to promote a virtuous cycle and healthy development of the real estate industry. At the end of the reporting period, the Company recorded RMB104.635 billion in balance of corporate loans to the real estate industry, with a NPL ratio of 2.83%, and registered RMB296.143 billion in balance of residential mortgages with a NPL ratio of 0.56%.

The Company will continue to implement the national real estate policies and regulatory requirements, strengthen policy analysis and market research, support well-selected regions, customers, business forms and projects, continue to structurally improve the real estate business, strengthen risk monitoring and process management, effectively prevent and control risks and promote the steady and healthy development of the real estate business.

3.15 DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

3.15.1 Development trends, risks and challenges in the future banking sector

The development environment is stable with a positive outlook. China's economy is resilient and vibrant with great potential, experiencing no changes in the fundamentals for long-term sound growth or the factors of production supporting high-quality development. The institutional guarantee, material foundation and spiritual strength for Chinese modernization are stronger, showing bright prospects for economic and social development. The macro-policy regulation is becoming increasingly intensified, with the proactive fiscal policy becoming more proactive and the prudent monetary policy remaining targeted and effective. Various policies are yielding results, including the industry policies that equally stress development and security, the science and technology policies focused on self-reliance and self-improvement and the social security policies providing a strong safety net for people's wellbeing. With the financial environment staying secure and orderly, China is building a modern central banking system, deepening the financial system and making supervision more systematic to ensure that systemic risks do not occur. Moving faster to build a digital China with greater strength in cyberspace, the country accelerated the building of a modern industrial system with a focus on expanding domestic demand, bringing new development opportunities and growth momentum for the banking industry.

On the other hand, risks and challenges are still there. The world, times and history are changing as never before. In a world with new turbulence and changes, China is ushering in a development stage featuring more uncertainties and coexistence of strategic opportunities, risks and challenges. The external environment will be normally unstable, uncertain and unpredictable. China is still fragile in the footing of economic recovery and prominent in the unbalanced and inadequate development. The contradictions in aggregate, structural and cyclical terms are further exposed amid the lingering triple pressures of shrinking demand, disrupted supply and weakening expectations.

The Company will, fully aware of the opportunities and challenges in the new stage of development, maintain compliance and prudence in the course of business, adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy in full, in the right way, and in all fields of endeavor the new development philosophy and actively integrate itself into the new development pattern in a proactive manner. Guided by strategic plans, focused on value creation and driven by transformation, the Company will continue to deepen the structural adjustments, improve the quality and efficiency of development, keep enhancing capacity building and strive to pursue high-quality development.

3.15.2 Operating plan and measures

In 2023, the Company will thoroughly implement the core messages conveyed at the 20th CPC National Congress and the Central Economic Work Conference, comply with regulatory requirements, keep exercising strict Party self-governance in every respect and maintain compliance and prudence of operation. The Company will act on the general principle of "pursuing progress while ensuring stability", apply the new development philosophy in full, in the right way, and in all fields of endeavor the new development philosophy and actively integrate itself into the new development pattern in a proactive manner. Guided by plans and focused on value creation, the Company will continue to improve the quality and efficiency of development and strive to pursue high-quality corporate development.

Focusing on strategic transition

Digital transition will be sped up. A new model of digital ecosystem-based customer services will be built by strengthening the application of digital scenarios and accelerating the integration with consumer, industrial and government scenarios. The Company will unleash the vitality in digital innovation, strengthen the domestic loop of technological innovation, accelerate the commercialization of innovations, increase the supply of digital products and deliver higher-quality products. The value of data will be persistently unleashed by improving the data governance and application system, improving the data management framework and fortifying the foundation for digital transition. Adequate technological support will be ensured with ongoing efforts to build the enterprise-level architecture, promote agile research and development, comprehensively improve our business support capacity and enhance system autonomy.

Corporate banking transition will be accelerated. In accelerating the switchover of growth drivers, the Company will serve the real economy as guided by policy, with customer development focused on high-end manufacturing, strategic emerging industries, specialized and sophisticated producers of new and unique products as well as green and "carbon peaking, carbon neutrality" industries. Based on the total amount of customer financing, the mechanism for cross-institutional and cross-departmental resource integration and collaboration will be strengthened. The Company will improve the marketing mode, refine the layering customers, deepen the "3-3-1-1" strategy and expand and deepen the base of top customers through chain marketing, ecosystem extension and comprehensive financial plan replication. The enterprise-level product management platform will be built faster, with digital means employed for higher quality and efficiency of marketing.

Retail finance transformation will be sped up. Top-level design will be continuously improved to foster distinctive brands and enhance core competitiveness. Customer management will be further refined to tap deep into customer demand and improve the ability to acquire customers through flexible use of wealth management, personal loan, credit card and payment and settlement products. Marketing will be better targeted through stronger online reach, direct customer management

and dedicated services. The Company will accelerate the development of wealth management to provide one-stop and professional asset allocation services, expand service boundaries, and sharpen the edge of wealth management and private banking brands. To enhance support for retail products, the Company will boost the capability of consumer loan product R&D and operation, data analysis and risk control. Technology will be further leveraged to empower the development of customer correlation graphs, the sharing of marketing, channel and data resources across the retail segment, the reengineering of business processes and the boost to operating efficiency.

The transition of financial market transactions will be sped up. The Company will seize market opportunities to improve asset allocations with a focus on high-liquidity and low-risk assets. The transition of transactions will be deepened by scaling up transactions, enhancing swing trading and accelerating turnover of assets. The investment portfolio will be diversified by steadily expanding foreign-currency bond investment and expanding derivatives trading in due course. The financial institution customer management system will be deepened and the scope of inter-bank cooperation will be expanded to integrate financial service resources. By creating asset organizations, regional integrated financial service platforms will be built to sharpen the competitive edge in key regional markets.

Focusing on structural adjustments

The earnings growth will be structurally improved on an ongoing basis. The value management process will be streamlined toward the objectives of value creation. The value measurement standards will be clarified, with the operation refocused on improving the comprehensive customer contribution and the interest margin management shifting to comprehensive value management. The value management system will be refined to highlight value synergies, strengthen the effort to tap the full potential of value and strengthen the fundamentals for earnings. Non-interest income growth will be empowered by developing new growth poles through enhanced benchmarking of products, services, efficiency and innovations.

Asset and liability management will be further enhanced. Guided by risk appetite, the asset and liability allocation logic will be optimized to boost the guiding role of asset and liability management. Structural adjustment will be strengthened to structurally improve liability growth based on cost control. Deposit growth drivers will be back to customer increase, product use and settlement expansion, with stronger efforts made to take demand deposits. The resource allocation model will be improved to increase the efficiency of allocation. Liquidity Management will be strengthened and the Group-wide liquidity management mechanism will be refined to safeguard liquidity.

The efficiency of capital use will be continuously improved. The Company will adhere to capital-light operation and enhance the buildup of internal capital and in pursuit of sustainable business growth. The business structure and capital allocation structure will be adjusted on an efficiency-oriented basis in accordance with the new regulation on capital. To increase the return on capital, capital management will be more fine-grained to reduce and control capital-intensive activities.

Focusing on risk prevention and control

The asset quality control will be consolidated. The existing problems will be resolved on a category-specific basis to intensify diverse allocation. Assets will be properly managed in every stage throughout their lifecycle, with cyclical risks monitored with due care to prevent deterioration and downgrading of assets. Digital risk control will be developed at a faster pace by building the enterprise-level credit and investment/financing business platform, enhancing risk forecast and strengthening lifecycle management.

The risk management system will be improved. The risk appetite transition mechanism will be refined to ensure smooth risk appetite transmission across every layer of the asset and liability strategies, credit and investment/financing policies, guidelines for industry-specific credit approval and the market and product strategies. Industry research will be deepened and the credit and investment/financing policy system will be refined to effectively guide asset allocation toward a better structure and boost the guiding role of policies. Approval management will be improved and the quality and efficiency of approval will be further enhanced through proper dynamic adjustments.

The Company will always maintain compliance as one of the minimum requirements. Regulatory requirements will be implemented with an enhanced awareness of compliance. The compliance check and problem rectification will be conducted with higher quality and efficiency in major fields and key activities. The management of policies and procedures will be continuously refined to guide and steer business development.

Focusing on differentiated development.

The Company will keep integrating into the mainstream of the regional economy. In an all-out effort to serve the “Four Centers” drive of Beijing, the Company will play an in-depth part in the coordinated implementation of Beijing’s “five key projects” as a financial vanguard in serving high-quality development of the capital. The “three-tiered” (core business, emerging business and opportunity business) development list will be clarified in line with regional industry plans and policy orientations, so as to serve the regional economic and social development with high-quality financial services.

Regional development strategies will be deepened. The “Three Regions” branches led the bank-wide development, accelerated innovation in products, services and mechanisms and explored to develop new growth drivers that will deliver business growth, efficiency enhancement and quality improvement. The “Two Lines” and “Multiple Points” branches will gain steam in developing their own characteristics and sharpen their edge in differentiated development by creating, improving and optimizing distinctive products. Hong Kong Branch, as the hub for overseas businesses, will help the bank enhance its capabilities of cross-border financial services, wealth management and international development. Regional synergies will be boosted by deepening resource integration within and across regions to form a new development pattern of mutual promotion, shared strengths and common development.



Design renderings of Hua Xia Bank Headquarters Building
(new building in Beijing Municipal Administrative Center)

SECTION IV CORPORATE GOVERNANCE

4.1 CORPORATE STRUCTURE



4.2 CORPORATE GOVERNANCE PRACTICE

During the reporting period, the Company earnestly implements the *Company Law*, the *Commercial Bank Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *Code of Corporate Governance for Banking and Insurance Institutions*, the *Guidelines on the Work of the Board of Supervisors of Commercial Banks* and other relevant laws and regulations. The Company always adhered to the integration of the Party leadership and corporate governance to establish the statutory role of Party organizations in the corporate governance framework. Ongoing improvements were made to the organizational structure for corporate governance composed of the Shareholders' General Meeting, the Board of Supervisors, the Board of Directors and the Senior Management. The Party Committee and these corporate governance bodies, with well-defined roles and responsibilities, functioned properly in a well-coordinated manner. The Company has demonstrated improved capacity, resilience and quality of development. Toward the goal of "improving the governance system and governance capacity unremittingly", the Company continued to explore the best practices of corporate governance, manifesting ongoing improvements in corporate governance standard and capacity. The actual condition of corporate governance has no material discrepancies with the laws, regulations and the CSRC rules for governance of listed companies.

The Party Committee plays its leading role of charting the course, crafting overall plans and ensuring their implementation, with a focus on political direction, leadership team, basic policies, major decisions and Party building. The Party Committee assumes the duty of strict Party self-governance and conducts early research and discussion before any major operation and management issues are put into action. The Shareholders' General Meetings effectively functions as the ultimate power in the Company. The Company has a clear and stable shareholding structure, with the conduct of shareholders increasingly improved. Substantial shareholders actively supports the Company's equity structure. Small and medium-sized shareholders take part in decision making by attending general meetings to maintain stable foundation for the Company's development. The Board of Directors mainly sets strategies, makes decisions and prevents risks. It keeps playing the role of providing strategic guidance and making scientific decisions, has in place an effective risk control mechanism and a reasonable incentives and accountability mechanism, actively performs social responsibility and protects the legitimate rights and interests of stakeholders. The Board of Supervisors actively performs its supervisory function and conducts supervisory inspections focused on strategy management, financial activity, risk management, risk control and duty performance of the Board of Directors, the senior management and their members in line with regulatory orientation and the bank's business activity. It effectively performs its statutory supervisory duties in an objective, impartial and scientific manner in compliance with laws and regulations and effectively acts in the best interests of the Company and all its shareholders and protects the legitimate rights and interests of stakeholders. The Senior Management mainly plans operation, works hard on implementation and strengthens management. It carries out operation management activities in accordance with the Articles of Association and upon authorization by the Board of Directors. It earnestly implements resolutions adopted by the Shareholders' General Meeting and the Board of Directors, accepts supervision by the Board of Supervisors and unites and lead all employees of the Company to fully accomplish annual operation and development tasks for the year.

In accordance with the *Announcement on Carrying Out the Special Campaign on Governance of Listed Companies* (CSRC Announcement [2020] No. 29), the Company has completed the self-examination and rectification work on corporate governance as required. According to the corporate governance self-examination, two independent directors, Mr. Chen Yonghong and Mr. Wang Huacheng continued to carry out the functions and powers of independent directors after expiration of their term of office. Since the resignation of Mr. Chen Yonghong and Mr. Wang Huacheng caused the number of independent directors on the Board of Directors of the Company to become less than one third of the members of the Board of Directors, Mr. Chen Yonghong and Mr. Wang Huacheng continued to carry out the functions and powers of independent directors in accordance with laws and regulations and the Articles of Association before new directors are elected by the Shareholders' General Meeting and approved by regulators. The Company has completed the independent director election process pursuant to regulatory requirements. At the First Extraordinary General Meeting of 2022, Mr. Chen Shenghua and Mr. Cheng Xinsheng were elected independent directors of the Company. Mr. Chen Shenghua and Mr. Cheng Xinsheng were approved by regulatory authority to serve as Independent Directors of the Company, with the tenure starting on 2 September 2022 and ending upon expiration of the Eighth Board of Directors. Mr. Chen Yonghong and Mr. Wang Huacheng were relieved of their offices on the same day. The problems found in corporate governance self-examination have been corrected completely.

4.3 STATEMENT ON INDEPENDENCE FROM THE LARGEST SHAREHOLDER

The Company has no controlling shareholder or de facto controller. The Company is fully independent from the largest shareholder in terms of business, personnel, assets, institutional set-up and financials and is capable of independent business operation.

4.4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

4.4.1 Changes in shares held by directors, supervisors and senior management members and their remunerations during the reporting period

Name	Position	Gender	Year of birth	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period	Paid by related party of the Company (yes/no)
Li Minji	Chairman of the Board of Directors, Executive Director Executive Director	Male	1965	14 April 2017 to expiration of the Eighth Board of Directors	0	0	0	72.21	None	No
Wang Hongjun	Non-executive Director Vice Chairman of the Board of Directors	Male	1969	30 November 2016 to expiration of the Eighth Board of Directors 26 December 2019 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Guan Wenjie	Executive Director President Former Vice President Former Principal of Financial Affairs	Male	1970	8 September 2020 to expiration of the Eighth Board of Directors 21 April 2023 to expiration of the Eighth Board of Directors 24 January 2017 to 21 April 2023 27 February 2014 to 25 November 2022	0	0	0	65.20	None	No
Wang Yiping	Executive Director Vice President	Male	1963	8 September 2020 to expiration of the Eighth Board of Directors 24 January 2017 to expiration of the Eighth Board of Directors	0	0	0	68.20	None	No
Song Jiqing	Executive Director Secretary to the Board	Male	1965	8 September 2020 to expiration of the Eighth Board of Directors 2 November 2019 to expiration of the Eighth Board of Directors	0	0	0	258.51	None	No
Cai Zhiwei	Non-executive Director	Male	1975	20 July 2022 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Ma Xiaoyan	Non-executive Directors	Female	1969	18 September 2019 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Zeng Beichuan	Non-executive Directors	Male	1963	29 November 2021 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Guan Jifa	Non-executive Director	Male	1965	8 October 2022 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Zou Libin	Non-executive Directors	Male	1967	19 June 2014 to expiration of the Eighth Board of Directors	0	0	0	0	None	Yes
Ding Yi	Independent Director	Female	1964	9 September 2020 to expiration of the Eighth Board of Directors	0	0	0	46.80	None	No
Zhao Hong	Independent Director	Female	1963	9 September 2020 to expiration of the Eighth Board of Directors	0	0	0	46.80	None	No
Guo Qingwang	Independent Director	Male	1964	9 September 2020 to expiration of the Eighth Board of Directors	0	0	0	45.60	None	No

Name	Position	Gender	Year of birth	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period	Paid by related party of the Company (yes/no)
Gong Zhiqiang	Independent Director	Male	1972	9 September 2020 to expiration of the Eighth Board of Directors	0	0	0	45.60	None	No
Lv Wendong	Independent Director	Male	1967	9 September 2020 to expiration of the Eighth Board of Directors	0	0	0	48.00	None	No
Chen Shenghua	Independent Director	Male	1970	2 September 2022 to expiration of the Eighth Board of Directors	0	0	0	14.40	None	No
Cheng Xinsheng	Independent Director	Male	1963	2 September 2022 to expiration of the Eighth Board of Directors	0	0	0	14.40	None	No
Wang Minglan	Chairman of Board of Supervisors Employee Supervisor	Female	1963	5 January 2021 to expiration of the Eighth Board of Supervisors 31 December 2020 to expiration of the Eighth Board of Supervisors	0	0	0	64.60	None	No
Deng Kang	Supervisor Representing Shareholder	Male	1985	31 March 2022 to expiration of the Eighth Board of Supervisors	0	0	0	0	None	Yes
Ding Zhaohua	Supervisor Representing Shareholder	Male	1973	21 April 2020 to expiration of the Eighth Board of Supervisors	0	0	0	26.40	None	Yes
Zhu Xiaofeng	External Supervisor	Female	1963	21 April 2020 to expiration of the Eighth Board of Supervisors	0	0	0	44.40	None	No
Zhao Xijun	External Supervisor	Male	1963	21 April 2020 to expiration of the Eighth Board of Supervisors	0	0	0	44.40	None	No
Guo Tianyong	External Supervisor	Male	1968	31 March 2022 to expiration of the Eighth Board of Supervisors	0	0	0	35.40	None	No
Zhang Hong	External Supervisor	Female	1965	31 March 2022 to expiration of the Eighth Board of Supervisors	0	0	0	36.60	None	No
Zhu Jiang	Employee Supervisor	Male	1968	21 April 2020 to expiration of the Eighth Board of Supervisors	0	0	0	198.39	None	No
Xu Xinming	Employee Supervisor	Male	1969	21 April 2020 to expiration of the Eighth Board of Supervisors	0	0	0	176.47	None	No

Name	Position	Gender	Year of birth	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period	Paid by related party of the Company (yes/no)
Yang Wei	Vice President	Male	1966	12 February 2019 to expiration of the Eighth Board of Directors	0	0	0	65.99	None	No
Liu Ruijia	Vice President	Male	1966	29 December 2022 to expiration of the Eighth Board of Directors	0	0	0	-	None	No
Wang Xingguo	Principal of Financial Affairs Chief Financial Officer	Male	1964	25 November 2022 to expiration of the Eighth Board of Directors Since 26 October 2022	0	0	0	219.10	None	No
Zhang Jianhua	Former Executive Director Former President	Male	1965	14 April 2017 to 17 February 2022	0	0	0	11.60	None	No
Chen Yonghong	Former Independent Director	Male	1962	19 June 2014 to 2 September 2022	0	0	0	31.20	None	No
Wang Huacheng	Former Independent Director	Male	1963	20 June 2014 to 2 September 2022	0	0	0	31.20	None	No
Lin Xin	Former External Supervisor	Male	1966	12 May 2015 to 31 March 2022	0	0	0	7.80	None	No
Total	/	/	/	/	0	0	0	1,720.27	/	/

Notes:

- Remunerations of the Chairman of the Board of Directors, President and other principals of the Company are subject to the policy of Beijing government on reform of remunerations of executives of local state-owned enterprises.
- Pre-tax remunerations of the Chairman of the Board of Directors, President, employee supervisors and other senior management members serving the Company in 2022 include the contribution by the Company to social insurance, enterprise annuity, additional medical insurance and housing provident fund.
- Pre-tax remunerations of the Chairman of the Board of Directors, President, employee supervisors and other senior management members serving in the Company are under confirmation and will be disclosed thereafter.
- The total remuneration received by the directors and supervisors except for executive directors and employee supervisors from the Company during the reporting period was determined according to the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors* and the *Regulations of Hua Xia Bank Co., Limited on Allowance of Supervisors*.
- Non-executive directors Mr. Wang Hongjun, Mr. Cai Zhiwei, Ms. Ma Xiaoyan, Mr. Zeng Beichuan, Mr. Guan Jifa and Mr. Zou Libin and Supervisor Representing Shareholder Mr. Deng Kang received no allowance from the Company. Vice President Mr. Liu Ruijia did not receive compensation from the Company as a Senior Management member during the reporting period.

The rest-part remuneration of company officers in 2021 approved and verified by the competent authorities is disclosed as below:

Name	The rest part of pre-tax remunerations for 2021 (RMB10,000)
Li Minji	38.10
Guan Wenjie	31.70
Wang Yiping	28.25
Wang Minglan	29.97
Yang Wei	29.97
Zhang Jianhua	38.10

Part of remunerations paid to the Secretary to the Board and employee supervisors during the reporting period have been disclosed in the Annual Report 2021, and the rest part of pre-tax remunerations for such personnel in 2021 is hereby disclosed.

Name	The rest part of pre-tax remunerations for 2021 (RMB10,000)
Song Jiqing	83.10
Zhu Jiang	53.58
Xu Xinming	40.51

Note: Bonus to the above-mentioned persons shall be delayed in payment. The total bonus subject to delayed payment in 2021 is RMB1,909,300 and is not paid to those individuals yet.

4.4.2 Changes in directors, supervisors and senior management members of the Company

4.4.2.1 Directors

On 29 January 2022, Mr. Luo Qianyi resigned from the posts of Vice Chairman of the Board of Directors, non-executive director and member of relevant committees of the Board of Directors due to work engagement.

On 17 February 2022, Mr. Zhang Jianhua resigned from the posts of executive director, President and member of relevant committees of the Board of Directors due to work engagement.

On 31 March 2022, Ms. Zhu Min, Mr. Cai Zhiwei and Mr. Guan Jifa were elected non-executive directors and Mr. Chen Shenghua and Mr. Cheng Xinsheng were elected independent directors of the Company at the first Extraordinary General Meeting of 2022. As approved by regulatory authorities, Mr. Cai Zhiwei's tenure as Non-executive Director started on 20 July 2022 and will end upon expiration of the Eighth Board of Directors; the tenure of Mr. Chen Shenghua and Mr. Cheng Xinsheng as Independent Directors started on 2 September 2022 and will end upon expiration of the Eighth Board of Directors, while former Independent Directors Mr. Chen Yonghong and Mr. Wang Huacheng ceased to perform duties on the same date; Mr. Guan Jifa's tenure as Non-executive Director started on 8 October 2022 and will end upon expiration of the Eighth Board of Directors. The eligibility of Ms. Zhu Min for the new position is pending approval by CBIRC.

On 28 April 2022, the Eighth Board of Directors of the Company held the 22nd meeting and elected Ms. Zhu Min Vice Chairman of the Board of Directors. Her eligibility is pending approval by CBIRC.

4.4.2.2 Supervisors

On 31 March 2022, the Company held the First Extraordinary General Meeting. Mr. Deng Kang was elected supervisor representing shareholder and Mr. Guo Tianyong and Ms. Zhang Hong were elected external supervisors of the Company. Their tenure started on 31 March 2022 and will end upon expiration of the Eighth Board of Supervisors. Mr. Lin Xin ceased to work as external supervisors on the same date.

4.4.2.3 Senior managers

On 17 February 2022, Mr. Zhang Jianhua resigned from the posts of executive director, President and member of relevant committees of the Board of Directors due to work engagement.

On 28 April 2022, the Eighth Board of Directors of the Company held the 22nd meeting and appointed Mr. Liu Ruijia Vice President. Mr. Liu Ruijia was approved by regulatory authority to serve as Vice President of the Company, with the tenure starting on 29 December 2022 and ending upon expiration of the Eighth Board of Directors.

On 7 November 2022, the Eighth Board of Directors of the Company held the 28th meeting and appointed Mr. Guan Wenjie President. Mr. Guan Wenjie was approved by regulatory authority to serve as President of the Company, with the tenure starting on 21 April 2023 and ending upon expiration of the Eighth Board of Directors.

On 25 November 2022, the Eighth Board of Directors of the Company held the 29th meeting and appointed Mr. Wang Xingguo Principal of Financial Affairs. The tenure of Mr. Wang Xingguo as Principal of Financial Affairs started on 25 November 2022 and will end upon expiration of the Eighth Board of Directors. President Mr. Guan Wenjie ceased to serve as Principal of Financial Affairs concurrently.

4.4.3 Main work experiences and current or concurrent jobs of directors, supervisors and senior management members

Li Minji, Chairman and Executive Director, male, was born in January 1965, and holds the title of senior economist. He majored in Finance in Renmin University of China and graduated with a Master's Degree in Economics. He majored in Business Administration in Huazhong University of Science and Technology and graduated with a PhD in Management. He ever held such positions as Member of the Party Committee, Director and Executive Deputy General Manager at Beijing State-owned Assets Management Co., Ltd.; Party Committee Secretary and Chairman of Beijing International Trust Co., Ltd.; and Deputy President of China Trustee Association and Member of China Trust Protection Fund Council concurrently. He now serves as a Member of the 14th CPPCC National Committee, Member of the 13th CPC Beijing Municipal Committee and Member of the 13th CPPCC Beijing Municipal Committee; and Party Committee Secretary, Chairman and Executive Director of Hua Xia Bank.

Wang Hongjun, Vice Chairman, Non-executive Director, male, was born in March 1969. He holds a master's degree and is a senior accountant. He was Deputy Chief Accountant and Chief Accountant of BBMG Corporation, as well as Head of Financial Department, CFO and Director of BBMG Corporation and CFO of Shougang Group. He currently serves as Chief Accountant of Shougang Group.

Guan Wenjie, Executive Director and President, male, was born in October 1970. He holds a master's degree and is a senior accountant. He was once Deputy Chief of the Finance Section of Taidong District Representative Office and Chief of the Accounting Section and Chief of Finance Section of the Railway Sub-branch, Qingdao Branch of China Construction Bank; the Deputy Chief (in charge of specific work) and Chief of Budget & Finance Division of Qingdao Sub-branch of Hua Xia Bank, General Manager of Budget & Finance Department of Qingdao Branch of Hua Xia Bank, Member of Party Committee and Vice General Manager of Qingdao Branch of Hua Xia Bank, Secretary of Party Committee and General Manager of Qingdao Branch of Hua Xia Bank, General Manager of Accounting Department, Principal of Financial Affairs and General Manager of Budget and Finance Department of Hua Xia Bank, CFO, General Manager of Budget and Finance Department and General Manager of Financial Markets Department of Hua Xia Bank, and Member of the Party Standing Committee, Executive Director, Vice President, Principal of Financial Affairs, and CFO of Hua Xia Bank. He currently serves as Deputy Party Committee Secretary, Executive Director and President of Hua Xia Bank.

Wang Yiping, Executive Director, Vice President, male, was born in June 1963. He holds a master's degree and is a senior economist. The positions he ever held are: Secretary of Secretariat, General Office, Ministry of Energy; Secretary to Minister (director level) of Secretariat, General Office, Ministry of Coal Industry; Secretary (director level) of Secretariat, General Office, the State Bureau of Coal Industry; Assistant President of China Coal Trust & Investment Co., Ltd.; Deputy General Manager of Corporate Financing Department and General Manager of Financial Interbank Department of Hua Xia Bank; and Party Committee Secretary and General Manager of Taiyuan Branch, Hua Xia Bank. Now, he is Member of the Party Standing Committee, Executive Director and Vice President of Hua Xia Bank.

Song Jiqing, Executive Director and Secretary to the Board, male, was born in January 1965. He holds a PhD and is a senior economist. He once served as a Consultant (deputy director level) of Beijing Municipal Finance Bureau, Member of the Party Leading Group and Deputy Director General of the Local Taxation Bureau of Beijing Mentougou District, Deputy Secretary of the Party Leading Group and Director General of the Beijing Mentougou District Bureau of Finance & Secretary of the Party Leading Group and Director General of the Local Taxation Bureau of Beijing Mentougou District & Director General of the State-Owned Assets Administration Bureau of Beijing Mentougou District; Member of the Party Leading Group and Deputy Head of the Government of Beijing Mentougou District; Deputy Director of Fund Finance Department, Deputy Director of General Office, Director of General Office and Director of Information Research Department of the National Council for Social Security Fund; Deputy Chief Financial Officer and General Manager of Planning and Finance Department of Hua Xia Bank; Principal of Financial Affairs, Chief Financial Officer and General Manager of Planning and Finance Department of Hua Xia Bank; Principal of Financial Affairs, Chief Financial Officer and General Manager of Development Research Department of Hua Xia Bank; Chief Financial Officer and General Manager of Development Research Department of Hua Xia Bank; Director of Marketing and General Manager of Strategic Development Department of Hua Xia Bank; Director of Marketing and Director of Executive Office of Hua Xia Bank; Secretary to the Board and Director of Executive Office of Hua Xia Bank. He currently serves as Party Committee Member, Executive Director and Secretary to the Board of Directors of Hua Xia Bank.

Cai Zhiwei, Non-Executive Director, male, was born in November 1975. He holds a master's degree. Previously, he was Section-Chief Officer of the International Business Loan Division, International Finance Bureau, China Development Bank; Associate Director of Financing Department, Cushman & Wakefield Corporate Finance (HK) Limited; Member of Executive Committee and Director of Investment Support Department, Director of Real Estate Investment Department, China Investment Corporation Now he is Vice President and Party Committee Member of People's Insurance Company (Group) of China Limited; Non-executive Director and Chairman of PICC Capital Insurance Asset Management Co., Ltd.; Non-executive Director and Chairman of PICC Investment Holding Co., Ltd.

Ma Xiaoyan, Non-executive Director, female, was born in July 1969. She holds a bachelor's degree and is a senior accountant. She once served as Deputy Director of the Audit Department of Henan Electric Power Company; Chief Accountant and Member of the Party Leading Group of Chang'an Insurance Broker Co., Ltd.; Head of the Financial Assets Division of the Financial Asset Management Department of State Grid Corporation of China (State Grid Asset Management Co., Ltd.); Chief Accountant and Member of the Party Committee of State Grid Yingda International Holdings Group Ltd. Now, she is Party Committee Member of State Grid Yingda International Holdings Group Ltd.; General Manager and Deputy Party Secretary of State Grid Yingda Co., Ltd.

Zeng Beichuan, Non-executive Director, male, was born in March 1963. He holds a PhD and is a senior engineer. Previously, he was Deputy Chief of the General Affairs Division, International Finance Bureau, China Development Bank; Deputy General Manager, Deputy General Manager (acting as principal), Deputy General Manager (equivalent to branch head) and Deputy Secretary of the Party Leading Group of Beijing Administrative Department of Hua Xia Bank; Deputy General Manager (equivalent to branch head) of Banking Department, Deputy Secretary of the Party Leading Group, General Manager of Audit Department and Employee Supervisor at the Head Office of Hua Xia Bank; General Manager of Marketing Department of China Life Insurance Co., Ltd.; Member of the Preparation Group for PICC Financial Holding; Director, President and Party Secretary of China Huawen Investment Holding Co., Ltd. (Shanghai New Huawen Investment Co., Ltd.); Chairman of Zhongtai Trust Co., Ltd., Vice President and Party Committee Member of PICC Investment Holding Co., Ltd.; Member of Standing Committee of the Municipal CPC and Deputy Mayor (seconded) of Liuzhou, Guangxi; Director, President and Party Committee Secretary of PICC Capital Investment Management Co., Ltd. Now, he is Party Secretary and President of PICC Asset Management Company Limited.

Guan Jifa, Non-executive Director, male, was born in May 1965. He holds a PhD and is a senior economist and senior engineer. He was Deputy General Manager of Beijing Urban No. 3. Construction Development Co., Ltd.; Deputy General Manager and General Manager of Beijing Subway Construction Co., Ltd.; Chairman of Beijing Capital Investment Co., Ltd.; General Manager of Land Development Department of Beijing Infrastructure Investment Co., Ltd. and Assistant to General Manager of Beijing Infrastructure Investment Co., Ltd. Now, he is Deputy General Manager of Beijing Infrastructure Investment Co., Ltd.

Zou Libin, Non-Executive Director, male, was born in September 1967. He holds a master's degree and is a senior accountant. He was ever a clerk of Malaysia Division of International Trade Department, JV Division of Overseas Headquarters, JV Division of International Trade Department and Foreign Economic Division of Economic and Trade Department of Shougang, a professional of JV Management Division of Industrial Development Department of Shougang. Then he served as Assistant to Chief and Deputy Chief of Listed Company Management Division of Capital Operation Department of Shougang Corporation, and Assistant to Head and Head of Capital Operation Department, Head of Investment Management Department, and Head of Planning and Finance Department of Shougang Corporation. He currently serves as Head of Operation and Finance Department of Shougang Group.

Ding Yi, Independent Director, female, was born in May 1964. She holds a PhD and is a senior economist. She previously was a Lecturer at the School of Finance Renmin University of China, Deputy General Manager of the Investment Management Department of the People's Insurance Company of China, Assistant to President of PICC Asset Management Company Ltd.; General Manager and Chairman of Huaneng Capital Service Co., Ltd., Chairman of Huaneng Guicheng Trust Corporation Ltd., Chairman of China Great Wall Securities Co., Ltd. and Chairman of Invesco Great Wall Fund Management Co., Ltd.

Zhao Hong, Independent Director, female, was born in January 1963. She is a PhD and professor. She previously was Head of the Teaching-Research Section and Associate Dean of the Economics & Management School of Beijing University of Technology and Associate Dean of College of Economics and Management, University of Chinese Academy of Sciences. Now, she is Professor of College of the Economics and Management and Professor of the Sino-Danish College, University of Chinese Academy of Sciences and Vice Chairman of the University of Chinese Academy of Sciences Education Foundation.

Guo Qingwang, Independent Director, male, was born in February 1964. He is a PhD and professor. He was the Vice Dean, Executive Vice Dean and Dean of the School of Finance of Renmin University of China. Now, he is a professor and tutor to PhD students at Division of Public Finance, School of Finance of Renmin University of China.

Gong Zhiqiang, Independent Director, male, was born in January 1972. He holds a master's degree. He previously was a Judge at the Economical Division of the Intermediate People's Court of Handan City, Hebei Province, a lawyer at Hylands Law Firm, and Deputy Director and Senior Partner at Sino-integrity Law Firm. Now, he is director and senior partner of S&P Law Firm.

Lv Wendong, Independent Director, male, was born in September 1967. He is a PhD and professor. He previously was a member of the Scientific and Technological Commission of Taiyuan City, Shanxi Province, a clerk at the Intellectual Property Affairs Center of the Ministry of Science and Technology and professor at the School of Insurance and Economics, University of International Business and Economics Now, he is a professor at the Business School of University of International Business and Economics.

Chen Shenghua, Independent Director, male, was born in September 1970. He holds a master's degree and is a Chinese CPA and senior accountant. He is a leading talent in China's accounting sector. He was an auditor at Beijing Xinghua Certified Public Accountants; and Principal Partner of Beijing Huaxia Zhengfeng Certified Public Accountants. Now he is Honorary Director of Management Committee and Senior Partner of Beijing Xinghua Certified Public Accountants (Special General Partnership).

Cheng Xinsheng, Independent Director, male, was born in February 1963. He is a PhD and professor. He was Teaching Assistant, Lecturer and Associate Professor of the Accounting Department and Director of Audit Department of Nankai Business School. Now, he is a professor and tutor to PhD students at the Accounting Department of Nankai Business School.

Wang Minglan, Chairman of the Board of Supervisors and Employee Supervisor, female, was born in December 1963. She holds a master's degree and is a researcher. She previously was Head of the Industrial Division and Head the Social Division of the Beijing Municipal Government Research Office, Member of Leading Party Group and Deputy Head of the Beijing Municipal Government Research Office, Deputy Party Secretary and Deputy General Manager of Zhongguancun Development Group, and Deputy Party Secretary and Director of Zhongguancun Development Group. She currently serves as Deputy Party Committee Secretary, Chairman of Board of Supervisors and Employee Supervisor of Hua Xia Bank.

Deng Kang, Supervisor Representing Shareholder, male, was born in December 1985. He holds a master's degree and is an economist. Previously, he was Salesman for Yunnan Province, Salesman for Shandong Province and Salesman for Shandong Sub-center at Yunnan China Tobacco Industrial Co., Ltd. Marketing Center; Project Manager at the Financial Assets Department of Yunnan Hehe (Group) Co., Ltd. (seconded to Investment Banking Department of Hongta Securities Co., Ltd. as Deputy General manager during the term of office); and Senior Management Executive of Yunnan Hehe (Group) Co., Ltd. He currently serves as Deputy Head of Operations Management Department of Yunnan Hehe (Group) Co., Ltd.

Ding Zhaohua, Supervisor Representing Shareholder, male, was born in December 1973. He holds a master's degree and is a senior economist. He previously was Financial Manager, Regional Financial Director, Regional General Manager, Chief Financial Officer and director of Runhua Group Co., Ltd. Now he is Director, President and Chief Financial Officer of Highgo Software Co., Ltd.

Zhu Xiaofang, External Supervisor, female, was born in June 1963. She is a PhD and associate professor. She previously was an Assistant Researcher at the Chinese Academy of Fiscal Sciences, Project Manager of the World Bank On-lending Department of China Economic Development Trust and Investment Co., Ltd., Deputy General Manager of Direct Investment Department of China International Capital Corp. Ltd., Senior Investment Manager of Actis Capital LLP, Project Consultant of International Expert Group on China's Foreign Debts at Asian Development Bank, Chairman of Aureos China Investment Committee and Distinguished Chair Professor at Hanqing Advanced Institute of Economics and Finance, Renmin University of China. Now, she is a CFC Senior Lecturer.

Zhao Xijun, External Supervisor, male, was born in August 1963. He is a PhD and professor. He previously was an assistant and lecturer at the Finance Department of Renmin University of China, Head of the Finance Department of the School of Finance, Renmin University of China, Researcher at the Department of International Affairs of CSRC (seconded); Director of International Office of Renmin University of China, Deputy Dean of School of Finance, Renmin University of China. Now, he is Co-president of China Capital Market Research Institute at Renmin University of China.

Guo Tianyong, External Supervisor, male, was born in August 1968. He is a PhD and professor. Previously he was an officer at Yantai Branch of the People's Bank of China; a lecturer and associate professor at the School of Finance, Central University of Finance and Economics. Now, he is a professor and tutor to PhD students at the School of Finance, Central University of Finance and Economics.

Zhang Hong, External Supervisor, female, was born in April 1965. She is a PhD and professor. Previously she was a lecturer, associate professor and professor and MA student adviser at School of Economics, Shandong University. Now, she is a professor and tutor to PhD students at School of Economics, Shandong University.

Zhu Jiang, Employee Supervisor, male, was born in June 1968. He holds a master's degree and is an economist. He previously was Deputy General Manager of Special Assets Resolution Department, Deputy General Manager of the Special Assets Resolution Center of Credit Risk Management Department, Deputy Director of Executive Office, Deputy General Manager of Development Research Department (in charge of specific work), Director of Party Committee Office and Director of Party Committee Office (Publicity Department) of Hua Xia Bank. Currently, he serves as Employee Supervisor of Hua Xia Bank and Director of the Party Committee Office (Publicity Department and United Front Work Department).

Xu Xinming, Employee Supervisor, male, was born in February 1969. He holds a master's degree and is a senior accountant. He previously was General Manager of Audit Department, Manager of Nanjing Audit Office and Deputy Director and Director of Shanghai Audit Division of Hua Xia Bank. She currently serves as Employee Supervisor and General Manager of Audit Department of Hua Xia Bank.

Yang Wei, Vice President, male, was born in January 1966. He holds a bachelor's degree and is an engineer. He once served as Head of Special Assets Resolution Division II, Assistant to General Manager and Deputy General Manager of the Special Assets Resolution Department of Hua Xia Bank; Member of the Party Committee and Deputy Head of Xi'an Branch of Hua Xia Bank, Member of the Party Committee and Deputy Head of Kunming Branch & Secretary of the Party General Branch and Head of Yuxi Sub-branch of Hua Xia Branch; Deputy Secretary of the Party Committee, Secretary of the Party Committee and Head of Kunming Branch of Hua Xia Bank; Secretary of the Party Committee and Head of Beijing Branch of Hua Xia Bank, and Secretary of the Party Committee and Head of Guangzhou Branch of Hua Xia Bank. Now, he is Member of the Party Standing Committee and Vice President of Hua Xia Bank.

Liu Ruijia, Vice President, male, was born in October 1966. He holds a bachelor's degree and is an economist. He once served as Member of the Party Committee and Deputy Head of Wuxi Sub-branch of Hua Xia Bank; Deputy General Manager of Human Resources Department and Director of Training Center of Hua Xia Bank; Member of the Party Committee of Hua Xia Bank Suzhou Branch; Chief Credit Risk Officer of Suzhou Credit Risk Management Department; Party Committee Secretary and Head of Hua Xia Bank Suzhou Branch; General manager of Financial Market Department of Hua Xia Bank; and Member of Party Committee and Chief Approval Officer of Hua Xia Bank. Now, he is Member of the Party Committee and Vice President of Hua Xia Bank.

Wang Xingguo, Principal of Financial Affairs and CFO, male, was born in August 1964. He holds a master's degree and is a senior accountant. He served as Member of the Party Committee and Deputy Head of Hua Xia Bank Shenzhen Branch, Party Committee Secretary and Head of Hua Xia Bank Shenzhen Branch, and Member of the Party Committee and General Manager of Budget and Finance Department of Hua Xia Bank. Now, he is Member of the Party Committee, Principal of Financial Affairs, CFO and General Manager of Budget and Finance Department of Hua Xia Bank.

4.4.4 Positions or concurrent jobs of directors, supervisors and senior management members in shareholder entities or non-shareholder entities

Name	Shareholder entity	Position	Tenure
Wang Hongjun	Shougang Group	Chief Accountant	April 2020 to present
Ma Xiaoyan	State Grid Yingda International Holdings Group Ltd.	Party Committee Member	Since January 2019
Guan Jifa	Beijing Infrastructure Investment Co., Ltd.	Deputy General Manager	August 2015 to present
Zou Libin	Shougang Group	Head of Operation and Finance Department	November 2015 to present
Deng Kang	Yunnan Hehe (Group) Co., Ltd.	Deputy Head of Operations Management Department	April 2022 to present

Name	Position or concurrent position in other entities excluding shareholder entities
Cai Zhiwei	Vice President and Party Committee Member of People's Insurance Company (Group) of China Limited; Non-executive Director and Chairman of PICC Capital Insurance Asset Management Co., Ltd.; Non-executive Director and Chairman of PICC Investment Holding Co., Ltd.
Ma Xiaoyan	Executive Director of CGN Industry Investment Fund Phase II Co., Ltd.; General Manager and Deputy Party Secretary of State Grid Yingda Co., Ltd.
Zeng Beichuan	Party Secretary and President of PICC Asset Management Company Limited; Vice Chairman of Renbao Kangmei (Beijing) Health Technology Co., Ltd.
Zou Libin	Director of Beijing West Fund Management Co., Ltd.; Director of Beijing Shougang Construction Investment Co., Ltd.; Director of Shougang Shuicheng Iron & Steel (Group) Co., Ltd.; Director of China Bond Insurance Corporation; and Chairman of Shougang Group Finance Co., Ltd.
Ding Yi	Director of Tongwei Co., Ltd., Independent Director of Huatai Asset Management Co., Ltd., Independent Director of Zhenjiang Yuanshi Advanced Materials Co., Ltd. and Independent Director of S.F. Holding Co., Ltd.
Zhao Hong	Professor of College of the Economics and Management and Professor of the Sino-Danish College, University of Chinese Academy of Sciences and Vice Chairman of the University of Chinese Academy of Sciences Education Foundation; Executive Director of China Marketing Association of University; Executive Director of the sixth Board of Directors of China Soft Science Research Association; Director of Beijing Guoke Gemdale Education Technology Co., Ltd.; Director of UCAS (Beijing) Education Consulting Co., Ltd.
Guo Qingwang	Vice President of Society of Public Finance of China, Vice President of China International Taxation Research Institute and professor; Vice Chairman of China National Committee for MT Education; Vice Chairman of National College Finance Teaching and Research Association; and tutor to PhD students at Division of Public Finance, School of Finance of Renmin University of China.
Gong Zhiqiang	Director and senior partner of S&P Law Firm; independent director of Capinfo Company Limited; director of Pengfeng Investment Co., Ltd.
Lv Wendong	Professor at the Business School of University of International Business and Economics; Independent Director of Founder Securities Co., Ltd., Independent Director of Henan Yuguang Gold & Lead Co. Ltd., Independent Director of Henan Pinggao Electric Co., Ltd., Outside Director of Heilongjiang Transport Investment Group Co., Ltd. and President of the Scientific Decision Making.
Chen Shenghua	Honorary Director of Management Committee and Senior Partner of Beijing Xinghua Certified Public Accountants (Special General Partnership); Chairman of Beijing Xinghua Consulting Management Co., Ltd.; member of the Legal Aid and Consumer Protection Committee of the Chinese Institute of Certified Public Accountants; member of the Governance Committee of the Beijing Institute of Certified Public Accountants; Visiting Tutor of the Accounting School of the School of Accounting, Central University of Finance and Economics; Independent Director of Tangshan Sanyou Chemical Industries Co., Ltd.; Independent Director of NAURA Technology Group Co., Ltd.; and Independent Director of Guangdong Piano Science Artists Co., Ltd.
Cheng Xinsheng	Professor and tutor to PhD students at the Accounting Department of Nankai Business School; Independent Supervisor of China Oilfield Services Limited; Independent Director of Tianjin Binhai Teda Logistics (Group) Corporation Limited; Independent Director of Peric Special Gases Co., Ltd.; and Director of Chinese Academy of Management.
Deng Kang	Director of Hongta Innovation Investment Co., Ltd.; Director of Jiangsu Tobacco Jinsili Financial Lease Co., Ltd.; Supervisor of KPC Pharmaceuticals, Inc.; Supervisor of Yunnan Tourism Co., Ltd.; Director of Kunming Zhengji Real Estate Co. Ltd.; Vice Chairman of Yunnan Flower Industry Investment Management Co., Ltd.; and Director of Zking Property & Casualty Insurance Co., Ltd.

Name	Position or concurrent position in other entities excluding shareholder entities
Ding Zhaohua	Director, President and Chief Financial Officer of Highgo Software Co., Ltd.; General Manager of Beijing Huading Highgo Data Technology Research Institute Co., Ltd.; Financial Chief of Highgo Holdings (Shandong) Limited; Director of Shandong Runhua Dinye Cultural and Tourism Development Co., Ltd.
Zhao Xijun	Co-president of China Capital Market Research Institute at Renmin University of China, Member/Secretary General of the National Supervisory Committee for Professional Degrees in Finance, Independent Director of China National Foreign Trade Financial & Leasing Co., Ltd., External Supervisor of China Construction Bank Corporation, Independent Director of Shenzhen Sunline Tech Co., Ltd., Independent Director of Kaishi Fund Management Co., Ltd. and Independent Director of iFLYTEK Co., Ltd.
Guo Tianyong	Professor and tutor to PhD students at the School of Finance, Central University of Finance and Economics; Independent Director of Kweichow Moutai Co., Ltd.; Independent Director of Ping An Healthcare And Technology Co. Ltd.
Zhang Hong	Professor and tutor to PhD students at School of Economics, Shandong University; Independent Director of Sinotruk Jinan Truck Co., Ltd.; Independent Director of Sunvim Group Co., Ltd.; Independent Director of Cisen Pharmaceutical Co., Ltd.; Independent Director of Shandong Hi-Speed Road & Bridge Co. Ltd.; External Supervisor of Shandong Chenming Paper Holdings Limited.
Yang Wei	Supervisor of China UnionPay Co., Ltd.

4.4.5 Establishment and implementation of performance evaluation and incentive mechanisms for directors, supervisors and senior management members

The total remuneration received by the directors and supervisors except for executive directors and employee supervisors from the Company was determined according to the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and the Regulations of Hua Xia Bank Co., Limited on Allowance of Supervisors* approved by the Shareholders' General Meeting. As to the executive directors, other senior management members and employee supervisors who are included in the remuneration management scope of officers of SOEs governed by Beijing Municipal Government, their remuneration shall be determined as per the management policies fit for the abovementioned officers. As to the executive directors and other senior management members who are not included in the remuneration management scope of officers of SOEs governed by Beijing Municipal Government, their remuneration shall be determined as per the *Administrative Measures for Remunerations of Head Office-level Senior Management of Hua Xia Bank*. As to the employee supervisors who are not included in the remuneration management scope of officers of SOEs governed by Beijing Municipal Government, their remuneration shall be determined as per the Company's related employee remuneration management measures. As at the end of the reporting period, the Company had not provided any share incentives to directors, supervisors or senior management members.

The Board of Directors of the Company assessed the performance of senior managers appointed by the Board of Directors in accordance with the *Performance Assessment Measures for Senior Management Members of Hua Xia Bank*. The annual duty performance of directors, supervisors and senior managers was evaluated by the *Board of Supervisors according to the Duty Performance Evaluation Measures for the Board Directors of Hua Xia Bank Co., Limited and Its Members*, the *Duty Performance Evaluation Measures for the Board of Supervisors of Hua Xia Bank Co., Limited and Its Members* and the *Duty Performance Evaluation Measures for the Senior Management of Hua Xia Bank Co., Limited and Its Members (Provisional)* and reported to the General Meeting of Shareholders and regulatory authorities.

The Remuneration and Assessment Committee of the Board of Directors has examined remuneration data of directors, supervisors and senior management members to be disclosed in the Annual Report 2022 of the Company. In the opinion of the committee, the remunerations of directors, supervisors and senior management members to be disclosed in the Annual Report 2022 of the Company comply with relevant assessment system and remuneration management policy of the Company, and are paid in overall consideration of the prevailing economic conditions, control policies of China and Beijing as well as actual operation of the Company and its peers, and the disclosure meets requirements of relevant laws and regulations.

During the reporting period, RMB17,202,700 (before tax) was actually paid to all of the directors, supervisors and senior management members.

4.4.6 Penalties imposed on directors, supervisors and senior management members by securities regulatory authority in the past three years

As far as the Company knows, there have been no penalties imposed on its directors, supervisors or senior management members, who remain in office now or were removed from office during the reporting period, by securities regulatory authorities in the recent three years.

4.5 BRIEFING OF THE SHAREHOLDERS' GENERAL MEETING

4.5.1 Duties of the Shareholders' General Meeting

The Shareholders' General Meeting holds the ultimate power of the Company. It is mainly responsible for: deciding on the Company's business policy and investment plan; electing and replacing directors and supervisors and deciding on the remuneration of directors and supervisors; hearing the Board of Supervisors' report on performance evaluation of directors and supervisors; reviewing and approving the reports of the Board of Directors and the Board of Supervisors; reviewing and approving the annual financial budget, final accounts plan, profit distribution plan and loss recovery plan of the Company; resolving on the Company's bond issuance, increase or decrease of registered capital, change of the purpose of raised funds, equity incentive plan, merger, split-up, dissolution and liquidation; amending the Articles of Association; engaging and disengaging accounting firm; reviewing the proposals of shareholders representing more than 3% of the total shares of the Company; reviewing the Company's purchase or sale of major assets or the guarantees within one year exceeding 30% of the latest audited total assets of the Company; deciding on or authorizing the Board of Directors to decide on matters related to the Company's issued preference shares; and reviewing other matters subject to decision making by the Shareholders' General Meeting under laws, regulations, supervisory rules and the Articles of Association.

4.5.2 Convening of Shareholders' General Meeting

Meeting	Date	Place	Attendance	Website designated for publishing resolution	Disclosure date	Resolutions
First Extraordinary General Meeting for 2022	31 March 2022	Beijing	<ol style="list-style-type: none"> 58 shareholders attended the meeting in person or by proxy, representing a total of 11,169,242,971 voting shares, accounting for 72.5877% of total voting shares in the Company. Of the 15 incumbent supervisors of the Company, 12 supervisors were present, while Supervisors Guan Wenjie, Ma Xiaoyan and Zeng Beichuan were absent for business affairs. Of the seven incumbent supervisors of the Company, six supervisors were present, while Supervisor Zhu Jiang was absent for business affairs. Secretary to the Board 	http://www.sse.com.cn	1 April 2022	Two proposals were reviewed at the meeting. Both were approved by more than one half of attending shareholders with voting rights.
Annual General Meeting for 2021	20 May 2022	Beijing	<ol style="list-style-type: none"> 85 shareholders attended the meeting in person or by proxy, representing a total of 11,234,042,822 voting shares, accounting for 73.0089% of total voting shares in the Company. Of the 15 directors of the Company, five directors were present, while Non-executive Directors Wang Hongjun, Ma Xiaoyan, Zou Libin and Zeng Beichuan were absent for business affairs, and Independent Directors Chen Yonghong, Wang Huacheng, Ding Yi, Zhao Hong, Guo Qingwang and Gong Zhiqiang were absent for business affairs. Of the nine supervisors of the Company, eight supervisors were present, while External Supervisor Guo Tianyong was absent for business affairs. Secretary to the Board Song Jiqing attended the meeting; some senior managers were present as non-voting attendees. 	http://www.sse.com.cn	21 May 2022	11 proposals were reviewed at the meeting. Proposal 7 were approved by over two thirds of attending shareholders with voting rights; other proposals were approved by more than one half of attending shareholders with voting rights.
Second Extraordinary General Meeting for 2022	12 December 2022	Beijing	<ol style="list-style-type: none"> 108 shareholders attended the meeting in person or by proxy, representing a total of 11,989,019,172 voting shares, accounting for 75.3319% of total voting shares in the Company. Of the 17 directors of the Company, 11 directors were present, while Directors Wang Hongjun, Wang Yiping, Ma Xiaoyan, Zeng Beichuan, Guan Jifa and Zou Libin were absent for business affairs. Of the nine supervisors of the Company, eight supervisors were present, while Chairman of Board of Supervisors Wang Minglan was absent. Secretary to the Board Song Jiqing attended the meeting; some senior managers were present as non-voting attendees. 	http://www.sse.com.cn	13 December 2022	Six proposals were reviewed at the meeting. Proposals 1 to 5 was approved by over two thirds of attending shareholders with voting rights; Proposal 6 was approved by more than one half of attending shareholders with voting rights.

4.6 DUTY PERFORMANCE OF THE DIRECTORS AND BOARD OF DIRECTORS

4.6.1 The Board of Directors

4.6.1.1 Duties and composition of the Board of Directors

The Board of Directors is the decision-making body of the Company. The Board of Directors is mainly responsible for: convening the Shareholders' General Meeting, reporting its work and implementing the resolutions of the Shareholders' General Meeting; deciding on the Company's business plan and investment plan; formulating the Company's annual financial budget, final accounts plan, profit distribution plan and loss compensation plan; formulating the Company's plans for increasing or decreasing registered capital, issuing bonds or other securities and listing; formulating the Company's risk tolerance and risk management policies; deciding on major investments of the Company within the scope authorized by the Shareholders' General Meeting; developing the major acquisition plan of the Company; deciding on the establishment of the working bodies of the Board of Directors, the internal management bodies of the Company and the unincorporated branches; formulating the standards for remuneration and allowances for directors of the Company, basic management policies, detailed articles of association, amendments to the articles of association and rules of procedure of the Shareholders' General Meeting and their amendments; formulating and revising the rules of procedure of the Board of Directors; appointing or dismissing the President, Vice President, Principal of Financial Affairs, Secretary to the Board and other senior management members of the Company, and deciding on their remuneration, rewards and punishments; hearing the work report of the President of the Company and checking the work of the President; taking the ultimate responsibility for the Company's risk management, capital adequacy ratio management, consolidated management, internal audit and other regulatory requirements; and reviewing the other matters that shall be decided on by the Board of Directors under laws, regulations, supervisory rules and the Articles of Association. The Board of Directors shall, before deciding on major issues of the Company, solicit opinions of the Party Committee of the Company. At the end of the reporting period, the Board of Directors of the Company was composed of 17 supervisors. For details, please see "4.4 Directors, Supervisors and Senior Management Members".

4.6.1.2 Meetings of the Board of Directors

Meeting	Date	Resolutions
The 17th meeting of the Eighth Board of Directors	24 January 2022	For details, please see the Announcement on Resolutions of the 17th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 26 January 2022.
The 18th meeting of the Eighth Board of Directors	17 February 2022	For details, please see the Announcement on Resolutions of the 18th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 18 February 2022.
The 19th meeting of the Eighth Board of Directors	15 March 2022	For details, please see the Announcement on Resolutions of the 19th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 16 March 2022.
The 20th meeting of the Eighth Board of Directors	31 March 2022	For details, please see the Announcement on Resolutions of the 20th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 1 April 2022.
The 21st meeting of the Eighth Board of Directors	22 April 2022	For details, please see the Announcement on Resolutions of the 21st Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 23 April 2022.
The 22nd meeting of the Eighth Board of Directors	28 April 2022	For details, please see the Announcement on Resolutions of the 22nd Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 30 April 2022.
The 23rd meeting of the Eighth Board of Directors	20 June 2022	For details, please see the Announcement on Resolutions of the 23rd Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 22 June 2022.
The 24th meeting of the Eighth Board of Directors	28 July 2022	For details, please see the Announcement on Resolutions of the 24th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 30 July 2022.
The 25th meeting of the Eighth Board of Directors	8 August 2022	For details, please see the Announcement on Resolutions of the 25th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 9 August 2022.
The 26th meeting of the Eighth Board of Directors	26 August 2022	For details, please see the Announcement on Resolutions of the 26th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 30 August 2022.
The 27th meeting of the Eighth Board of Directors	28 October 2022	For details, please see the Announcement on Resolutions of the 27th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 29 October 2022.
The 28th meeting of the Eighth Board of Directors	7 November 2022	For details, please see the Announcement on Resolutions of the 28th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 8 November 2022.
The 29th meeting of the Eighth Board of Directors	25 November 2022	For details, please see the Announcement on Resolutions of the 29th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 26 November 2022.
The 30th meeting of the Eighth Board of Directors	29 December 2022	For details, please see the Announcement on Resolutions of the 30th Meeting of the Eighth Board of Directors of Hua Xia Bank disclosed by the Company on 31 December 2022.

4.6.2 Duty performance of directors

4.6.2.1 Duty performance of directors

Director	Independent Director (Yes/no)	Board meetings to be attended this year	Attendance at Board Meeting					Absent from two consecutive meetings (Yes/no)	Attendance at Shareholders, General Meetings
			Meetings attended in person	Meetings attended by circulation	Meetings attended by proxy	Absence	Shareholders, General Meetings attended		
Li Minji	No	14	14	8	0	0	No	3	
Wang Hongjun	No	14	14	8	0	0	No	1	
Guan Wenjie	No	14	13	8	1	0	No	2	
Wang Yiping	No	14	14	8	0	0	No	2	
Song Jiqing	No	14	14	8	0	0	No	3	
Cai Zhiwei	No	6	5	1	1	0	No	1	
Ma Xiaoyan	No	14	14	8	0	0	No	0	
Zeng Beichuan	No	14	13	8	1	0	No	0	
Guan Jifa	No	4	4	2	0	0	No	0	
Zou Libin	No	14	14	8	0	0	No	1	
Ding Yi	Yes	14	14	8	0	0	No	2	
Zhao Hong	Yes	14	14	8	0	0	No	2	
Guo Qingwang	Yes	14	14	8	0	0	No	2	
Gong Zhiqiang	Yes	14	14	8	0	0	No	2	
Lv Wendong	Yes	14	14	8	0	0	No	3	
Chen Shenghua	Yes	4	4	1	0	0	No	1	
Cheng Xinsheng	Yes	4	4	1	0	0	No	1	
Zhang Jianhua	No	1	1	1	0	0	No	0	
Chen Yonghong	Yes	10	10	7	0	0	No	1	
Wang Huacheng	Yes	10	10	7	0	0	No	1	
Number of Board meetings held in the reporting period								14	
Of which: Number of onsite meetings								6	
Number of meetings held by circulation								8	
Number of meetings held by onsite presence & correspondence								0	

During the reporting period, all directors gave reasonable opinions and suggestions based on their own expertise and experience, covering the formulation and implementation of development plans, risk management, internal control and audit management, asset quality management and corporate governance. Relevant opinions and suggestions were effectively implemented. During the reporting period, directors of the Company did not raise any dissents on relevant issues of the Company.

4.6.2.2 Work of independent directors

During the reporting period, the Board of Directors of the Company kept the number of independent directors more than one third of its members and ensured independent in directors performed their duties in accordance with the law. All independent directors perform their duties in good faith, independently and diligently, with any influence from shareholders, senior managers and other entities and individuals having an interest in the Company, and attached importance to safeguarding the legitimate rights and interests of minority shareholders and other stakeholders. Independent directors have enough time and energy to perform their duties effectively, and work at the Company for no less than 15 working days each year. Independent directors attend meetings of the Board of Directors on time, understand the Company's business and operation, take the initiative to investigate and obtain the information and materials needed to make decisions and express objective and impartial independent opinions on matters considered by the Shareholders' General Meeting or the Board of Directors.

4.6.3 Special committees of the Board of Directors

4.6.3.1 Members of special committees of the Board of Directors at the end of the reporting period

Name of special committee	Name of member
Strategy and Capital Management Committee	Li Minji (chairman), Wang Hongjun, Guan Wenjie and Ding Yi
Audit Committee	Chen Shenghua (chairman), Ma Xiaoyan, Zou Libin, Ding Yi, Guo Qingwang and Cheng Xinsheng
Risk Compliance and Consumer Protection Committee	Guan Wenjie (chairman), Song Jiqing, Cai Zhiwei, Zhao Hong and Guo Qingwang
Related Party Transactions Control Committee	Lv Wendong (chairman), Wang Yiping, Gong Zhiqiang and Zhao Hong
Nomination and Remuneration Assessment Committee	Gong Zhiqiang (chairman), Zeng Beichuan, Guan Jifa, Lv Wendong, Chen Shenghua and Cheng Xinsheng

4.6.3.2 Main duties of special committees

The Board of Directors of the Bank has established the following special committees according to needs: the Strategy and Capital Management Committee, the Audit Committee, the Risk Compliance and Consumer Protection Committee, the Related Party Transactions Control Committee and the Nomination and Remuneration Assessment Committee. Special committees provide professional opinions to the Board of Directors or make decisions on specialized matters and exercise the following functions and responsibilities:

The **Strategy and Capital Management Committee** is mainly responsible for: studying the long-term development strategy and major investment decisions of the Company, giving suggestions and supervising and assessing the development strategy implementation; studying and making suggestions on capital management of the Company, reviewing the capital planning, the capital adequacy management plan and report as well as internal capital adequacy assessment process (ICAAP) report formulated by the Senior Management, submitting them to the Board of Directors for approval and supervising their implementation; formulating the green finance development strategy of the Company, reviewing the green finance objectives formulated and green finance reports formulated by the Senior Management and submitting them to the Board of Directors for approval; formulating the strategic development plan and basic policy for inclusive finance; promoting the rule-of-law work of the Company; putting forward proposals and plans on major issues to be discussed and decided on by the Board of Directors; and other relevant matters prescribed by laws, regulations, ordinances, Articles of Association of the Company and authorized by the Board of Directors.

The **Audit Committee** is mainly responsible for: proposing to hire or replace the external audit body and supervising and assessing the external audit work; supervising and assessing the internal audit work, organizing and directing the internal audit work under the authorization of the Board of Directors, reporting to the Board of Directors and regularly listening to the internal audit work report; coordinating the Management and related departments with the external audit body, and coordinating internal auditors with external auditors; examining the Company's financial information and its disclosure, including examining the Company's accounting policies, financial position and financial reporting procedures, examining the Company's risk and compliance status, taking charge of the annual audit of the Company, making a judgmental report on the authenticity, integrity and accuracy of the audited financial report information and submitting the report to the Board of Directors for deliberation; supervising and assessing the Company's internal control, supervising the effective implementation and self-assessment of internal control, and coordinating internal control audit and other related matters; and other relevant matters prescribed by laws, regulations, ordinances, Articles of Association of the Company and authorized by the Board of Directors.

The **Risk Compliance and Consumer Protection Committee** is mainly responsible for: formulating the Company's risk tolerance and risk management policies and submitting them to the Board of Directors for approval; supervising the Senior Management's control over credit risk, liquidity risk, market risk, operational risk, compliance risk, IT risk, case risk, money laundering risk and reputational risk; regularly listening to the Senior Management's special reports on the Company's risk profile, organizing and guiding the case prevention work upon the authorization from the Board of Directors, conducting regular assessment of the Company's risk policy, risk level, risk management status and risk tolerance, and making suggestions on improving risk management; formulating strategies, policies and objectives for consumer protection of the Company and researching major issues and important policies on consumer protection; supervising and inspecting consumer protection, supervising the comprehensiveness, timeliness and effectiveness of the work of the Senior Management and the consumer protection department; directing and urging the establishment and improvement of the consumer protection management system; holding regular meetings on consumer protection, review work reports and annual reports of the Senior Management and consumer protection department and submitting them to the Board of Directors for approval; studying audit reports, regulatory notices and internal assessment results related to annual consumer protection work and urging the Senior Management and relevant departments to promptly correct problems; and other relevant matters prescribed by laws, regulations, ordinances, Articles of Association of the Company and authorized by the Board of Directors.

The **Related Party Transactions Control Committee** is mainly responsible for: taking charge of the management, review and risk control of the Company's related party transactions, with a focus on the compliance, fairness and necessity of related party transactions, and hiring financial advisors and other independent third parties to issue reports as the basis for judgment where necessary; filing general related party transactions examined in accordance with the Company's internal management policy and authorization procedures; examining major related party transactions of the Company and submitting them to the Board of Directors for approval; and other relevant matters prescribed by laws, regulations, ordinances, Articles of Association of the Company and authorized by the Board of Directors.

The **Nomination and Remuneration Assessment Committee** is mainly responsible for: formulating standards and procedures for the selection and appointment of directors and senior managers and making suggestions; selecting eligible candidates for directors and senior managers; examining the eligibility and qualifications of candidates for directors and senior managers and making suggestions to the Board of directors; researching and formulating the standards and indicator system for Senior Management assessment, conduct assessment and making suggestions; researching, formulating and reviewing the remuneration policy and plan for directors and senior managers, making suggestions and supervising the implementation of the plan; formulating the stock incentive plan and employee stock ownership plan and submitting them to the Board of Directors for review; and other relevant matters prescribed by laws, regulations, ordinances, Articles of Association of the Company and authorized by the Board of Directors.

4.6.3.3 Meetings of special committees

S/N	Meeting	Date	Agenda items	Important opinions and suggestions and other duty performance
1	Fifth meeting of the Strategy Management and Consumer Protection Committee of the Eighth Board of Directors	21 January 2022	Two proposals were reviewed and approved, including the <i>Report on Ratification of Problems Found in CBIRC Onsite Examination and Accountability Results</i> .	
2	The fifth meeting of the Nomination Committee of the Eighth Board of Directors	14 March 2022	Two proposals were reviewed and approved, including the <i>2022 Work Plan of the Nomination Committee of the Board of Directors of Hua Xia Bank Co., Limited</i> .	
3	The second meeting of the Related Party Transactions Control Committee of the Eighth Board of Directors	14 March 2022	Three proposals were reviewed and approved, including the <i>2022 Work Plan of the Related Party Transactions Control Committee of the Board of Directors of Hua Xia Bank</i> .	
4	The fifth meeting of the Risk & Compliance Management Committee of the Eighth Board of Directors	20 April 2022	Four proposals were reviewed and approved, including the <i>2022 Work Plan of the Risk & Compliance Management Committee of the Board of Directors of Hua Xia Bank Co., Limited</i> ; the <i>Special Report of Hua Xia Bank on Financial Crime Prevention among Employees</i> was read.	
5	Sixth meeting of the Strategy Management and Consumer Protection Committee of the Eighth Board of Directors	20 April 2022	Seven proposals were reviewed and approved, including the <i>2022 Work Plan of the Strategy Management and Consumer Protection Committee of the Board of Directors of Hua Xia Bank Co., Limited</i> ; the <i>Report on Preparation for Implementation of Basel III Reform</i> was read.	

S/N	Meeting	Date	Agenda items	Important opinions and suggestions and other duty performance
6	The seventh meeting of the Audit Committee of the Eighth Board of Directors	21 April 2022	14 proposals were reviewed and approved, including the <i>Proposal on the 2021 Annual Report of Hua Xia Bank</i> ; the <i>Report of Ernst & Young Hua Ming LLP on External Audit of Hua Xia Bank for 2021</i> was heard.	The Audit Committee reviewed significant issues in the "key audit issues" section of the audit report and opined that a full explanation of these issues had been provided in the notes to financial statements and thus was not needed in the annual report.
7	The fourth meeting of the Remuneration and Assessment Committee of the Eighth Board of Directors of Hua Xia Bank	21 April 2022	Nine proposals were reviewed and approved, including the <i>Proposal on the Performance Assessment Results of Senior Managers in 2021</i> .	The remunerations of directors, supervisors and senior management members to be disclosed in the Annual Report 2021 of the Company comply with relevant assessment system and remuneration management policy of the Company, and are paid in overall consideration of the prevailing economic conditions, control policies of China and Beijing as well as actual operation of the Company and its peers, and the disclosure meets requirements of relevant laws and regulations. All senior managers of the Company were rated A in 2021.
8	The sixth meeting of the Nomination Committee of the Eighth Board of Directors	28 April 2022	The <i>Proposal on Review of the Eligibility of Candidate for Vice President</i> was reviewed and approved.	The eligibility of Mr. Liu Ruijia as candidate for Vice President was reviewed and approved.
9	The seventh meeting of the Nomination and Remuneration Assessment Committee of the Eighth Board of Directors	17 June 2022	Two proposals were reviewed and approved, including the <i>Proposal on Signing of the Three Elements of the Tenure and Contract Management by Members of the Management</i> .	/
10	The third meeting of the Related Party Transactions Control Committee of the Eighth Board of Directors	8 August 2022	The <i>Proposal on Related Party Transactions Regarding Non-public Offering of A-shares</i> was reviewed and approved.	/
11	The eighth meeting of the Nomination and Remuneration Assessment Committee of the Eighth Board of Directors	25 August 2022	The <i>Proposal on Amending the Annual Performance Assessment Measures for Senior Management Members of Hua Xia Bank</i> was reviewed and approved.	/
12	The fourth meeting of the Related Party Transactions Control Committee of the Eighth Board of Directors	25 August 2022	The <i>Report on Ongoing Risk Assessment of Related Finance Company</i> was reviewed and approved.	/
13	The eighth meeting of the Audit Committee of the Eighth Board of Directors	25 August 2022	Four proposals were reviewed and approved, including the <i>Proposal on the 2022 Interim Report of Hua Xia Bank Co., Limited</i> ; the <i>Report of Ernst & Young Hua Ming LLP on Review Work for the First Half of 2022</i> was heard.	/
14	Sixth meeting of the Risk Management and Consumer Protection Committee of the Eighth Board of Directors	26 August 2022	Seven proposals were reviewed and approved, including the <i>Proposal on Administrative Measures of Hua Xia Bank for Recovery and Resolution Plan</i> ; the <i>Report on Formulation of Administrative Measures for Remote Audio and Video Recording</i> was read.	/
15	Seventh meeting of the Risk Management and Consumer Protection Committee of the Eighth Board of Directors	27 October 2022	Three proposals were reviewed and approved, including the <i>Report on Announcement of Regulatory Evaluation of Consumer Protection by Banking and Insurance Institutions in 2021</i> .	/
16	The ninth meeting of the Audit Committee of the Eighth Board of Directors	27 October 2022	The <i>Quarterly Report of Hua Xia Bank for the Third Quarter of 2022</i> was reviewed and approved.	/
17	The ninth meeting of the Nomination and Remuneration Assessment Committee of the Eighth Board of Directors	7 November 2022	The <i>Proposal on Review of the Eligibility of Candidate for President</i> was reviewed and approved.	The eligibility of Mr. Guan Wenjie as candidate for President was reviewed and approved.
18	The fifth meeting of the Related Party Transactions Control Committee of the Eighth Board of Directors	25 November 2022	The <i>Proposal on the Digital Technology Building Customized Purchase Project</i> was reviewed and approved.	/
19	The 10th meeting of the Nomination and Remuneration Assessment Committee of the Eighth Board of Directors	25 November 2022	The <i>Proposal on Review of the Eligibility of Candidate for Principal of Financial Affairs</i> was reviewed and approved.	The eligibility of Mr. Wang Xingguo as candidate for Principal of Financial Affairs was reviewed and approved, and his remuneration level was determined.
20	The sixth meeting of the Related Party Transactions Control Committee of the Eighth Board of Directors	28 December 2022	The <i>Proposal on Revising the Administrative Measures for Related Party Transactions of Hua Xia Bank Co., Limited</i> was reviewed and approved.	/
21	Eighth meeting of the Risk Management and Consumer Protection Committee of the Eighth Board of Directors	28 December 2022	Five proposals were reviewed and approved, including the <i>Proposal on Administrative Measures of Hua Xia Bank for Implementation of the Expected Credit Loss Approach</i> ; the <i>Report on Pre-launch Validation of the Expected Credit Loss Approach Implementation Model</i> was read.	/

4.7 DUTY PERFORMANCE OF THE SUPERVISORS AND BOARD OF SUPERVISORS

4.7.1 Board of Supervisors

4.7.1.1 Duties and composition of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Company. It is mainly responsible for: examining the Company's regular reports prepared by the Board of Directors and giving written audit opinions; examining the Company's financial affairs and investigating any detected abnormality in operating conditions of the Company; supervising the Board of Directors and the Senior Management in improving the internal control system and supervising the Board of Directors and the Senior Management and their members in performing their internal control duties; supervising directors' and senior managers' acts in their official capacities and requiring correction, proposing dismissal or bringing a lawsuit as appropriate; proposing Extraordinary General Meetings and making proposals to the Shareholders' General Meeting; and reviewing and approving other matters that shall be decided on by the Board of Supervisors under laws, regulations, supervisory rules and the Articles of Association. At the end of the reporting period, the Board of Supervisors of the Company was composed of nine supervisors. For details, please see "4.4 Directors, Supervisors and Senior Management Members".

4.7.1.2 Meetings of the Board of Supervisors and inspection and supervision

During the reporting period, the Board of Supervisors held eight meetings and reviewed and adopted 26 proposals covering work report of the Board of Supervisors, annual work plan for inspections and surveys, annual report, internal control evaluation report, duty performance evaluation report, social responsibility report,, nomination of candidates for supervisors, adjustments to composition of special committees of the Board of Supervisors, revision of the procedural rules of the Board of Supervisors and its special committees and non-public offering of A shares, reviewed 11 special reports and heard two special reports. In light of the focal points of regulation, problems found in internal and external audits, the bank-wide work plans and strategic transition priorities, the Board of Supervisors carried out nine special survey and inspection events with respect to operating conditions, duty performance evaluation, implementation of the "Year of Improving Internal Control and Compliance Management" campaign, correction of problems found in regulatory inspection of consumer protection, retail business transition, anti-money laundering management, liquidity risk management and asset quality management. Relevant survey and inspection reports were prepared, opinions and suggestions were put forward and rectification and correction were urged.

4.7.1.3 Explanation of the Board of Supervisors' no dissents on supervised matters during the reporting period

During the reporting period, the Board of Supervisors supervised duty performance of the Company's directors and senior management members, financial decisions and their implementation, internal control building, risk management, strategy formulation and implementation and implementation of information disclosure policies having no dissents on those matters under supervision.

4.7.2 Work of external supervisors

During the reporting period, the Board of Supervisors of the Company kept the number of external directors more than one third of its members, ensured external supervisors' right to be know and provided necessary assistance for external supervisors to perform their duties properly. All independent directors perform their duties with due care and prudence, with any influence from shareholders, senior managers and other entities and individuals having an interest in the Company, and attached importance to safeguarding the legitimate rights and interests of minority shareholders and other stakeholders. External supervisors have enough time and energy to perform their duties effectively, and work at the Company for no less than 15 working days each year. External supervisors attend the meetings of the Board of Supervisors on time, attend the meetings of the Board of Directors and Shareholders' General Meeting as nonvoting attendees, fully examine the resolutions of the Board of Supervisors, express their opinions independently, professionally and objectively, vote independently based on their prudent judgment and supervise the performance of duties of the Company's Board of Directors and Senior Management and their members.

4.8 SENIOR MANAGEMENT

The Senior Management, the executive body of the Company, reports to the Board of Directors and is supervised by the Board of Supervisors. The Company's Senior Management, with its functions and powers strictly separated from those of the Board of Directors, is responsible for deciding on the business management matters within their scope of duties upon authorization from the Board of Directors. Pursuant to the requirements of the Board of Directors and the Board of Supervisors, the Senior Management reports the Company's operating results, important contracts, financial status, risk profile and business prospects in a timely, accurate and complete manner and provide relevant materials. At the end of the reporting period, the Senior Management of the Company was composed of six senior managers. For details, please see "4.4 Directors, Supervisors and Senior Management Members".

4.9 TIERED MANAGEMENT AND NUMBER AND REGIONAL DISTRIBUTION OF INSTITUTIONS

4.9.1 Basic information on branches and overview of tiered management

The Company focuses on economically central cities while radiating over the whole country. It conducts the institutional planning and setup, routine operation and internal management under the three-level organizational management system which consists of the Head Office, branches and sub-branches.

As at the end of the reporting period, the Company had set up 44 tier one branches, 78 tier two branches, 7 non-local branches and 987 outlets in 122 Chinese cities at prefecture level and above.

4.9.2 Branches

Region	Institution name	Business address	Number of branches	Headcount	Asset size (RMB1 million)
Beijing-Tianjin-Hebei Region	Head Office	22 Jianguomennei Street, Dongcheng District, Beijing	-	4,208	2,455,457
	Beijing Branch	11 Financial Street, Xicheng District, Beijing	63	2,277	500,212
	Tianjin Branch	Tower E, Huanbohai Development Center, Zeng 9 Binshui Road, Hexi District, Tianjin	15	596	58,010
	Shijiazhuang Branch	48 Zhongshan West Road, Qiaoxi District, Shijiazhuang	62	2,243	89,248
	Tianjin FTZ Branch	Baofeng Building, No. 3678 Xinhua Road, China (Tianjin) Pilot Free Trade Zone (CBD)	9	129	11,760
	Beijing Municipal Administrative Center Branch	Building 2, Block 11, Xinhua East Street, Tongzhou District, Beijing	7	150	16,087
Yangtze River Delta	Nanjing Branch	333 and 329-2 (Jin'ao International Center) Jiangdong Middle Road, Jianye District, Nanjing	67	2,313	224,807
	Hangzhou Branch	No. 2 Building, Oceanwide International Center, 2 Xiangzhang Street, Sijiqing Subdistrict, Jianggan District, Hangzhou	59	1,648	173,395
	Shanghai Branch	256 Pudong South Road, China (Shanghai) Pilot Free Trade Zone	29	859	141,364
	Wenzhou Branch	Southeast of No.17-05 Plot, Riverside CBD, Wenzhou	14	523	28,970
	Ningbo Branch	366 Heyuan Road, Yinzhou District, Ningbo	11	468	26,513
	Shaoxing Branch	354 Zhongxing South Road, Tashan Subdistrict, Yuecheng District, Shaoxing	13	404	35,993
	Changzhou Branch	9 Building, Fuxi Garden, 1598 Longjin Road, Xinbei District, Changzhou	14	430	47,634
	Suzhou Branch	188 Xinghai Street, Suzhou Industrial Park, Suzhou	21	705	103,613
	Wuxi Branch	3 Finance No.1 Street, Wuxi	22	549	72,530
	Hefei Branch	Building C, Wealth Plaza, 278 Suixi Road, Hefei	16	760	52,462
	Shanghai FTZ Branch	No.569 Pudong Avenue, Pudong New Area, Shanghai; No.6, 10, 14 and 18, Lane 563; No.5, 9, 13 and 17, Lane 573; No.1, Lane 588, Changyi Road	1	40	680
Guangdong - Hong Kong - Macao Greater Bay Area	Shenzhen Branch	Zhongzhou Plaza, 3088 Jintian Road, Futian Sub-district, Futian District, Shenzhen	40	1,455	162,778
	Guangzhou Branch	Nanyue Mansion, 13 Huaxia Road, Tianhe District, Guangzhou	44	1,800	143,331
	Haikou Branch	61 Guoxing Avenue, Meilan District, Haikou	4	234	7,090
	Hong Kong Branch	F18, International Finance Center (Phase II), 8 Finance St., Central Hong Kong	1	111	56,578

Region	Institution name	Business address	Number of branches	Headcount	Asset size (RMB1 million)
Central and Eastern China	Ji'nan Branch	Building 3, Section 6, Hanyu Financial Business Center, No.7000 Jingshi Road, Licheng District, Jinan	54	1,884	92,850
	Wuhan Branch	786 Minzhu Road, Wuchang District, Wuhan	55	1,444	106,360
	Qingdao Branch	5 Donghai West Road, Shinan District, Qingdao	35	1,021	59,404
	Taiyuan Branch	Block A, Longcheng No.1 Office Building, No.97 Longcheng Street, Xiaodian District, Taiyuan City	28	974	67,057
	Fuzhou Branch	Huaxia Mansion, 1 Gutian Zhilu, Gulou District, Fuzhou	19	624	26,837
	Changsha Branch	Huameiou Mansion, 389 Wuyi Road, Furong District, Changsha	12	730	51,644
	Xiamen Branch	10, 11 and 16 Lingshiguan Road, Siming District, Xiamen	7	379	21,056
	Zhengzhou Branch	29 Business Outer Ring Road, Zhengdong New District, Zhengzhou	14	1,222	70,577
	Nanchang Branch	198 Ganjiang North Road, Honggutan District, Nanchang City	13	456	27,607
	Western China	Kunming Branch	Hua Xia Bank Tower, 98 Weiyuan Road, Wuhua District, Kunming	26	1,182
Chongqing Branch		Annex 1, Annex 2, Annex 3-2-1, 27 Jiangbeichengxi Street, Jiangbei District, Chongqing	29	1,078	76,931
Chengdu Branch		2 Building, Jinjiang Zhichun Building, 299 Yong'an Road, Jinjiang District, Chengdu City	29	1,005	78,888
Xi'an Branch		111 Chang'an North Road, Beilin District, Xi'an	29	779	55,880
Urumqi Branch		15 Dongfeng Road, Tianshan District, Urumqi	14	470	29,799
Hohhot Branch		57 Airport Expressway, Xincheng District, Hohhot	18	779	25,014
Nanning Branch		Tower B, Huarun Mansion, 136-2 Minzu Avenue, Nanning	11	619	38,572
Yinchuan Branch		168 Xinchang East Road, Jinfeng District, Yinchuan	7	276	9,785
Guiyang Branch		55 Changling North Road, Guanshanhu District, Guiyang	3	364	22,930
Xining Branch		Hua Xia Bank Mansion, Building No. 1, 79 Haiyan Road, Chengxi District, Xining	1	89	3,696
Northeastern China	Lanzhou Branch	Zhihui Plaza, 333 Tianshui North Road, Chengguan District, Lanzhou	3	274	9,372
	Shenyang Branch	51 Qingnian Street, Shenhe District, Shenyang	25	932	29,477
	Dalian Branch	50 and 52 Renmin East Road, Zhongshan District, Dalian	21	637	20,044
	Changchun Branch	4888 Renmin Street, Changchun	16	477	20,577
	Harbin Branch	2586 Lijiang Road, Daoli District, Harbin	6	341	12,873
Regional summarization adjustment			-	-	-1,692,648
Total			987	39,938	3,770,725

Note: Headcount and asset size of the Head Office include the staff of Credit Card Center.

4.10 EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

At the end of the reporting period, the Group had 40,556 service employees, including 39,938 ones working in the Company and 618 ones working in the major subsidiaries. The Group paid for 1,415 retired employees.

4.10.1 The Company's employees by professional field

Of the in-service employees of the Company, 30,494 or 76.35% were business personnel, 7,578 or 18.98% were management personnel and 1,866 or 4.67% were supporting personnel.

4.10.2 The Company's employees by educational background

Of the in-service employees of the Company, 5,789 persons or 14.49% held a master's or higher degree, 25,403 or 63.61% held a bachelor's degree, and 8,746 or 21.90% held an associate's or lower degree.

4.10.3 Remuneration policy and training

Guided by the bank-wide strategic plan and focused on the work priorities, the Company continued to improve the assessment and distribution mechanism with value creation as the core, emphasized the strategic transformation requirements, highlighted the orientation to differentiated regional development, strengthened asset quality and risk compliance management and guided the operating institutions to toward high-quality development. During the reporting period, the Company performed well in terms of economic, risk and social indicators.

Remuneration of the employees of the Company consisted of base pay and performance pay. The annual remuneration plan was brought through relevant procedures of the bank and approved by the competent authority of Beijing Municipality before implementation. According to regulatory requirements and management needs, the Company created a remuneration deferral and recall mechanism for the Senior Management and employees in positions having significant impact on risks. The deferral ratio is above 40% and the deferral period is three years. If any misconduct or excessive exposure within the duty occurs during the specified period, the performance pay for the persons held liable will be deducted, stopped or recalled in line with the severity of circumstances pursuant to regulatory policies and the Company's policies.

The Company's training work, aligned with the development plan objectives and focused on the four transition strategies, continued to step up the development of professional courses and cases, strengthened the internal trainer team building, increased online training efforts and persistently improved the comprehensive training system in an effort to enhance the professional skills and customer service ability of the staff across the bank.

4.11 PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES/PLAN ON STRENGTHENING OF CAPITAL BASE WITH CAPITAL RESERVE FOR 2022

4.11.1 Formulation, implementation or adjustment of cash dividend policy

According to the *Articles of Association of Hua Xia Bank Co., Limited*, except for preference shares adopted with the specific dividend policy, the Company can distribute dividends in the form of cash or share or combination of both, and shall maintain the continuity and stability of profit distribution policy. The Company will give priority to the profit distribution in cash. Total profit distributed in the form of cash in the last three years was no less than 30% of the annual average distributable profit attributable to ordinary shareholders realized during the period.

The profit distribution plan for 2021 was reviewed and approved at the Annual General Meeting for 2021 and took effect on 8 June 2022. The distribution plan accorded with the Articles of Association, the distribution standard and proportion were definite and clear, and relevant decision-making procedures and mechanism were complete. Independent directors performed their duties and made their due contributions. Minority shareholders were provided with opportunities to fully express their opinions and appeals, and their legal rights and interests were sufficiently safeguarded. Total profit distributed in the form of cash in the last three years was no less than 30% of the annual average distributable profit attributable to ordinary shareholders realized during the period.

4.11.2 Profit distribution of ordinary shares in the past three years

(Unit: RMB1 million)

Distribution year	Bonus shares distributed per ten shares	Dividends distributed per ten shares (RMB, before tax)	Shares recapitalized per ten shares	Cash dividend (before tax)	Net profit attributable to ordinary shareholders of the listed company in the consolidated statement of the distribution year	Cash dividend as percentage of net profit attributable to ordinary shareholders of the listed company in the consolidated statement of the distribution year (%)	Net profit attributable to shareholders of the listed company in the consolidated statement of the distribution year	Cash dividend as percentage of net profit attributable to shareholders of the listed company in the consolidated statement of the distribution year (%)
2022	-	3.83	-	6,095	22,159	27.51	25,035	24.35
2021	-	3.38	-	5,201	20,755	25.06	23,535	22.10
2020	-	3.01	-	4,632	18,495	25.04	21,275	21.77

According to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J. [2012] No. 20) released by the MOF and the Articles of Association of Hua Xia Bank Co., Limited, the parent company made statutory surplus reserve based on the audited net profit attributable to shareholders of the parent company in 2022, set aside general reserve from net profit at the end of the year to cover unidentified possible losses, and distributed ordinary share dividends to shareholders based on the distributable profit audited. The profit distribution plan for 2022 is set forth below:

- RMB2,210 million or 10% of the audited net profit attributable to shareholders of the parent company of 2022 (RMB22,097 million) is set aside as statutory surplus reserve.
- Pursuant to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J. [2012] No. 20) released by MOF, the balance of general reserve shall not be less than 1.5% of the balance of assets exposed to risks and losses at the end of the period. RMB1,587 million is to be set aside as general reserve for 2022.
- The interest accrual period for preference shares issued in 2016 is from 28 March 2022 to 27 March 2023 (at an annual dividend rate of 4.68%), and the dividends payable for these preference shares are RMB936 million. Dividends on preference shares were paid on 28 March 2023. The above dividend distribution plan was considered and adopted at the 31st Meeting of the Eighth Board of Directors on 14 March 2023. The Company redeemed all the preference shares issued in this offering on 28 March 2023.
- In June 2019, the Company publicly issued RMB40 billion of perpetual bonds in the national interbank bond market upon approval by CBIRC and PBOC. The interest accrual period is from 26 June 2022 to 25 June 2023 (interest rate at 4.85%) and interest payable standing at RMB1.94 billion.
- With 15,914,928,468 ordinary shares outstanding of the Company at the end of 2022 as the base number, cash dividends will be distributed to all of the shareholders at RMB3.83 (before tax) per 10 shares, and the cash dividends are to be distributed in an amount of RMB6,095 million.

The above-mentioned profit distribution plan shall be implemented within two months after the Annual General Meeting for 2022 of the Company reviews and approves it.

The Company is now in a development stage of transformation and upgrading. The cash dividend policy for 2022 maintained the continuity and stability, taking into account both shareholder return and corporate sustainability. Retained profits were used to replenish capital in support of the Company's long-term strategy implementation.

4.12 STOCK INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND INFLUENCE THEREOF

Not applicable.

4.13 MANAGEMENT AND CONTROL OF SUBSIDIARIES

The Company continued to standardize the policies and procedures for equity investment and subsidiary management and made amendments to reflect the latest regulatory requirements and equity management actualities. The Company actively performed shareholder's duties and strengthened corporate governance of subsidiaries and improved the decision-making capability mainly through review of proposals. The management of three rural banking subsidiaries was further enhanced with professional guidance and support. The group-wide technological resources were pooled to boost the IT development level of rural banks.

4.14 ESTABLISHMENT AND IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM

The Company kept improving the internal control policies and procedures to lay a solid foundation for compliance, upholding the philosophy of the "giving priority to internal control, putting compliance first". The *Measures for Compliance Risk Management of Hua Xia Bank* was revised to establish a compliance management mechanism for overseas institutions and implement the latest regulatory requirements on compliance. The Company continued to carry out policy proposal, compliance examination, internalization of external regulations and review to achieve closed-loop management of internal control policies and procedures. The Company formulated or revised more than 1,000 items of internal control policy requirements in line with the regulatory policies, business innovation and risk control needs. The policies and procedures became increasingly effective and complete with a higher compliance level, playing a greater role in ensuring compliance, forestalling risks and promoting development.

4.15 REPORT ON THE INTERNAL CONTROL SELF-ASSESSMENT AND REPORT ON INTERNAL CONTROL AUDIT

The Board of Directors of the Company assessed the effectiveness of the Company's internal control as at 31 December 2022 in line with the requirements of the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, as well as other regulatory requirements for internal control. In the opinion of the Board of Directors, the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the requirements of the system of enterprise internal control standards and relevant regulations. During the reporting period, the Company had not any significant or material deficiencies of internal control over financial reporting, nor did it discover any significant or material deficiencies of internal control over non-financial reporting. For details, please refer to the *2022 Report on Internal Control Evaluation of Hua Xia Bank Co., Limited* disclosed by the Company on the SSE website (www.sse.com.cn) and the Company's website (www.hxb.com.cn).

The Company engaged Ernst & Young Hua Ming LLP as auditor of the effectiveness of internal control over financial reporting of the Company in accordance with the requirements of the *Basic Standard for Enterprise Internal Control* and the *Guideline for Enterprise Internal Control Audit*. The auditor deems that the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the *Basic Standard for Enterprise Internal Control* and relevant regulations. For details, please refer to the *Auditor's Report on Internal Control of Hua Xia Bank Co., Limited* disclosed by the Company on the SSE website (www.sse.com.cn) and the Company's website (www.hxb.com.cn).

4.16 INFORMATION DISCLOSURE AND INVESTOR RELATIONS MANAGEMENT

The Company regulates day-to-day information disclosures pursuant to the state's laws and regulations, regulatory provisions and the Company's policies to effectively protect investors' right to know, ensure timeliness, impartiality, authenticity, accuracy and completeness of the information disclosed and safeguard investors' interests. During the reporting period, the Company systematically revised the administrative measures for information disclosure and their implementation rules, sorted out matters subject to disclosure by extraordinary announcements and refined the reporting process for information to be disclosed. The Company strengthened voluntary information disclosure, refined and implemented the new rules for preparation of regular reports. The structure and contents of regular reports were improved and the quantitative indicators of voluntary disclosure were added to boost the willingness and transparency of disclosure. The Company prepared and disclosed four regular reports and 64 interim announcements in the year and informed the investors of such significant information as changes in directors, supervisors and senior management, operation of the Board of Directors, the Board of Supervisors and the Shareholders' General Meeting, earnings guidance, refinancing progress, related party transactions and purchase of assets on a timely basis.

The Company strengthened interactions and communication with investors and analysts by telephone, through internet or otherwise, as part of its sustained effort to deepen the investor relations management. In addition to results presentations, it maintained day-to-day communication with investors through the platform sseinfo.com. In addition, it maintained day-to-day communication with investors through the platform sseinfo.com. The communication with investors and analysts in various forms informed investors and analysts of the connotation and values of the Company, enhanced their understanding of the Company and promoted the positive interaction between the Company and the capital market.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

5.1 ENVIRONMENTAL INFORMATION

5.1.1 Administrative penalties for environmental problems

During the reporting period, the Company received no administrative penalties for environmental problems.

5.1.2 Green finance

The Company earnestly implemented the State's requirements on carbon peak and carbon neutrality and deepened the green finance development strategy. It continued to refine the working mechanism, established an enterprise-level green finance data management mechanism, innovated green finance products and services and ramped up support for green and low-carbon industries, providing financial backing for high-quality economic and social development across the country. At the end of the reporting period, the balance of the Company's green finance was RMB322.45 billion, and the proportion of green loans continued to increase. The Company was awarded a number of honors by the Green Credit Business Committee of China Banking Association and *The Banker*, further enhancing the brand influence.

In terms of green credit, the "industry + customer" marketing strategy was implemented to enhance the customer service capacity of green finance and the sustainability of the economy. Seizing market opportunities under China's goal of "carbon peaking, carbon neutrality", PBOC's carbon emission reduction facility (CERF) was utilized and the green loan FTP was introduced to empower expansion of the green and low-carbon industries, coupled by growing green lending to MSBs. To strengthen professional capacity building, researches and training were conducted on key industries such as wind power, solar photovoltaics and new energy vehicles. The Company developed financing products backed by environmental rights as collateral, encouraged branches to carry out trials and successfully launched such businesses as carbon emissions-backed financing and pollution permit-backed financing. The Company became one of the major settlement banks in the national carbon emissions registration and settlement system. At the end of the reporting period, the Company's balance of green loans reached RMB247.035 billion, up 18.49% from the end of the previous year, faster than growth of total loans. In terms of green finance, the balance of green credit was RMB248.854 billion. Specifically, the balance of credit for energy conservation and environmental protection, cleaner production, clean energy, ecological conservation, green upgrading of infrastructure and green services stood at RMB34.505 billion, RMB7.466 billion, RMB24.380 billion, RMB36.555 billion, RMB141.050 billion and RMB2.132 billion, respectively. During the reporting period, the Company's green credit business saved 1,175,000 tons of standard coal, reduced emissions equivalent to 2,785,900 tons of carbon dioxide and saved 11,213,600 tons of water.

In terms of green investment, the Company continued to pursue high-quality development of investments featuring green finance, strengthened the use of financial market products in green fields and persistently built the "ESG investment" brand. On 7 January 2022, the CSI Hua Xia Bank ESG Select Bond Index was successfully launched, providing a new performance benchmark and allocation tool for ESG bond investment strategies. The Company cooperated with a third party in developing the Fullgoal Carbon Neutrality One-year Open-ended Bond Sponsored Securities Investment Fund, a carbon-neutral bond, and the AVIC Ruihua ESG One-year Regular Open Bond Sponsored Securities Investment Fund, the first ESG-themed publicly-offered bond fund approved and created in the market. The Company's wealth management subsidiary continued to deepen the full integration of ESG and business, sought to include ESG in the investment process, improved the ESG database construction, released sustainable finance and ESG research findings and participated in formulating domestic ESG standards. At the end of the reporting period, the Company recorded RMB21.111 billion in balance of green investment and the funds raised by ESG wealth management products totaled RMB28.969 billion. With a focus on green debt financing tools, differentiated marketing was leveraged to expand the Customer's customer base with an improved structure, better hierarchy and deeper cooperation, so as to enhance market competitiveness and customer recognition. During the reporting period, the Company co-underwrote one sustainability-linked bond with an issue size of RMB1 billion. At the end of the reporting period, the Company had six outstanding underwritings of green debt financing instruments, with a total underwriting amount of RMB3.238 billion. In an ongoing effort to develop the Chinese-issued green offshore bond market and build the "sustainable and better" value brand, the Company assisted Chinese enterprises in issuing 25 offshore green bonds, with an underwriting share of RMB1.221 billion.



In terms of green leasing, the Company stayed true to the original mission of leasing. To meet people's livelihood needs and give better play to leasing products, the Company attached greater importance to the value of the leased assets and the cash flows generated by them, actively allocating leased assets closely related to basic living standards through operational leasing. With a focus on "green, real economy, inclusive finance and rural revitalization", innovative businesses such as new energy vehicles, manufacturer leasing, cold-chain logistics, and offshore wind farm installation vessels mushroomed in many places. The business structure is shifting from focusing on corporate business to equal emphasis on corporate and retail businesses, the customer structure is changing from focusing on big customers to a combination of micro, small, medium-sized and large customers and the business model is shifting from lease-back to multiple models. The transition has been paying off. At the end of the reporting period, the balance of green leasing amounted to RMB44.912 billion, accounting for more than 30% of the Company's outstanding leased assets. The green leasing brand was further consolidated.

In terms of green consumption, the capacity of green finance services was improved to provide customized, digital and scenario-based acquiring products to brick-and-mortar merchants for the Beijing Winter Olympics. In response to the State's policy call, the Company supported the transition to a low-carbon society and continued to provide customers with ETC tags and other devices free of charge, thus serving car owners' low-carbon travel and helping reduce vehicle exhaust emissions. In practicing PBOC's "payment for the people" service tenet, the Company stepped up the effort to promote mobile number-based payment service, featured by convenient, direct and secure transactions across banks, in marketplaces, neighborhoods and enterprise premises. The mobile number-based payment service promotion reached 469,200 accounts in the year, up 219,600 accounts or 88% in the year. By number of mobile number registered for the service, the Company ranked 52nd among the 225 correspondent banks announced by PBOC.

In terms of environmental and social risk management, the climate and environmental risk stress test was conducted to enhance the bank's capability of responding to climate risk changes. Environmental and social risk was included in the bank-wide risk appetite, managed as a single risk for the first time to enhance environmental and social risk management comprehensively. The Company released its first independent climate-related disclosure report in April 2022. It is the first financial institution managed by Beijing Municipality and the first national joint-stock commercial bank to issue a Head Office-level environmental disclosure report that meets disclosure requirements of both PBOC and the Climate-Related Financial Disclosures (TCFD). Disclosure is conducive to the identification, assessment and management of environmental and climate risks, guiding assets to become greener and promoting the green finance development. In December 2022, at the second part of the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15), the Company became a co-issuer of the *Common Action Plan for Banking Sector to Support Biodiversity Conservation*, giving full play to the role of financial services in biodiversity conservation and aligning biodiversity conservation with the goals of climate change response.

Box 6: Establishing a Sound Green Finance Mechanism to Boost the Momentum for Green Development

The bank-wide green finance management mechanism was improved, meetings of the Green Finance Management Committee were held, an enterprise-level green finance data management mechanism was established, and the unified identification and management of corporate green credit were realized, producing work synergies in a top-down manner. The incentive and restraint mechanism for green finance was improved. Incorporating green finance into performance assessment, credit and investment/financing policy assessment and taking into account the national policies, market space, environmental benefits and other factors, the Company launched the structured FTP preferential policy for green loans, continued to carry out green finance marketing competition and guided the bank-wide green loans toward bigger size and better credit asset structure. To expand customer channels, the Company as one of the first nine participating banks in the ecological conservation and environmental protection financial support project system, provided services for key projects supported by the Ministry of Ecology and Environment. The environmental and social risk management system was improved, with the ESG concept implemented in an all-round way and the environmental and social risk management deepened in the whole credit business process. These mechanisms have effectively boosted the momentum for green development.

5.1.3 Green operations

During the reporting period, the Company adopted various measures to reduce energy consumption and carbon emissions.

The green, low-carbon financial services were further deepened. Centering on the paperless transformation of bank counters, the integration of over-the-counter transactions was completed to enable the digitalization of paper documents, customer signatures and bank stamps and seals.

The Company adopts an economy-without-waste policy. LED lighting and other energy-efficient equipment were used in office spaces, with air conditioning temperature kept within the upper limit (winter) and lower limit (summer) required by specifications. The rule of "turning off the light and water before you leave" and other management measures were strictly implemented. Printing on both sides of the paper was encouraged and supervised, with printing control gradually centralized to reduce the quantity of printers and consumables in use.

Green travel was advocated. The company vehicle use policy was strictly implemented to ensure proper approval and registration and reasonable use of company vehicles. Employees were encouraged to commute to work in green ways such as public transportation, subway, walking and cycling, so as to contribute to reducing motor vehicle emissions.

The "Clear Your Plate" campaign was carried out to save food and prevent waste. The staff canteen strictly implemented the "preparing & taking food as needed" policy to reduce kitchen waste. Employees were also encouraged to avoid food waste when dining out or at home.

The waste sorting measures were strictly implemented. Waste sorting facilities were erected at each office or business place. Employees were directed to sort waste to standard and increase the sorting efficiency. Employees were organized to participate in the "on duty before bins" campaign to supervise waste sorting in the local community and sign the letter of commitment on waste sorting.



Kunming Branch transformed and upgraded its outlets

5.2 SOCIAL RESPONSIBILITY INFORMATION

5.2.1 Consumer protection

During the reporting period, the Company firmly upheld the people-centered development philosophy, highlighted the big picture of “great consumer protection” and “great service” in accordance with relevant regulatory policies, adhered to the working principle of covering “all staff, all businesses and all processes” and further improved consumer protection work with a focus on the systems and mechanisms for top-level design, business operation, consumer protection review, public education, internal training, supervision and inspection, information disclosure, complaint handling and dispute resolution as well as evaluation and assessment.

First, relevant systems and mechanisms were built unremittingly with an in-depth understanding of consumer protection. Attaching great importance to safeguarding consumers and their rights, the Company further incorporated consumer protection in corporate governance, corporate culture development and business development strategies, continued to strengthen the in-depth integration of consumer protection and business development and improved the consumer protection systems and mechanisms. **Second, the awareness of innovation was enhanced to promote full implementation of consumer protection tasks.** With the aim of raising the standard of consumer protection management, consumer protection functions at all levels continued to strengthen the overall coordination, supervision and management and intensified the management of key links to ensure the full implementation of consumer protection roles and responsibilities. Business lines were further integrated to jointly promote the consumer protection work, with key work items promoted effectively with greater vigor to ensure a complete and efficient system of “great consumer protection”. **Third, the consumer protection examination system management was furthered to ensure adequate control at the source.** Putting the consumer protection examination high on the priority list, the Company integrated consumer protection in product design, business policy and marketing for strict control in a bid to ensure ongoing consumer protection in all business operations. With equal emphasis given to online and offline work, the working mechanism for consumer protection moved risk controls forward to earlier stages. **Fourth, the proprietary education and publicity brand was built to enhance risk education and alert.** The Company actively implemented the relevant requirements of regulatory authorities and industry associations on consumer protection education and publicity work. While promoting the institutionalized, regular, diverse and long-term work on consumer protection education and publicity, the Company also innovatively developed the “Sub-branch Head’s Consumer Protection Talk”, a proprietary brand of education and publicity events, as an addition to its public education and publicity work. In this way, the Company managed to strengthen online and offline risk warning and education to fulfill its responsibility for raising the public awareness of risks. **Fifth, the consumer protection training was intensified with higher appropriateness of training content.** The Company strictly implemented regulatory requirements and developed customized, well-focused training content according to different trainees. Timely special training was carried out on the problems found in the dynamic management of the work. With a combination of “online + offline”, “massed learning + self-study” and “special + joint” training forms, the training on consumer protection was carried out in various forms and channels in an orderly fashion. The theoretical basis of consumer protection was further combined with business operations to improve the capability of consumer protection. **Sixth, the complaint intake channels were unblocked to ensure the compliant handling duties were fulfilled.** The compliant handling duties of various roles were effectively performed by continuously improving the consumer complaint handling system, further unblocking consumer complaint channels, properly dealing with consumer complaints, actively using the mediation mechanism to resolve consumer disputes, highlighting the orientation to consumer complaints-related assessment and strengthening accountability, traceability and rectification. During the reporting period, to further strengthen the complaint data identification and early warning, the Company expanded the channels of complaint intake and further strengthened the management and use of complaint data under the principle that all reasonable complaints should be accepted. The Company received a total of 112,980 complaints from customers, with a 15-day closure rate of 99.99%, an overall closure rate of 100% and a satisfaction rate of 98.04%. According to statistics, in terms of the geographical distribution of complaints, the complaints about credit cards were concentrated in Guangdong, Shandong and Henan. Complaints involving other types of banking business were concentrated in Beijing, Jiangsu, Guangdong and Tianjin. In terms of complaint categories, in the context of economic downturn in 2022, complaints related to negotiation of credit card repayments, repayment of individual loans (mainly concentrated in residential mortgages and internet loans), debt collection, credit standing adjustments and returns on wealth management and other products. Therefore, while standardizing the complaint intake and handling process, the Company further emphasized the analysis and source management of complaints, urged the continuous optimization of business processes or services and strove to play a positive role in consumer complaints in improving corporate governance, promoting business development and improving financial services, so as to continuously improve the service level and provide better services for financial consumers. **Seventh, the quality and efficiency of services were further boosted to raise the consumer protection service level.** Through innovations and explorations for new practices of civilized and standard services and oriented to serving the diverse needs of financial consumers, the evaluation indicators system for civilized and standardized services was deeply integrated into the development and management of outlet services, thereby further improving the coverage and depth of financial services, and promoting the organic combination of standardized services and consumer protection.

5.2.2 Efforts on poverty alleviation and rural vitalization

The Company thoroughly implemented the spirit of the Central Economic Work Conference, the Central Rural Work Conference and the work arrangements made in the No.1 Central Document in 2022. Adhering to the general principle of pursuing progress while ensuring stability, the Company focused on the key work on agriculture and rural areas, steadily increased credit supply and advanced the financial services for rural revitalization. In 2021 rural revitalization assistance assessment conducted by the State-owned Assets Supervision and Administration Commission of Beijing Municipality, the Company was rated “good”. In the 2021 annual assessment of 20 national financial institutions serving rural revitalization conducted jointly by PBOC and CBIRC, the Company was also rated as “good”, with one branch and five employees awarded provincial commendations. In March 2022, the Company’s *Innovative Financial Service Model for Targeted Assistance in Rural Revitalization* won the “Best Practice Case of Rural Revitalization of Listed Companies” award from the China Association for Public Companies.

The organizational push for rural revitalization was strengthened. The leading group on rural vitalization, still headed by Li Minji, Party Committee Secretary and Chairman, coordinated efforts to promote rural revitalization. With a focus on key areas designated for collaboration between the eastern and western regions, an action plan for rural vitalization for 2022 was formulated. The Company clarified the work objectives and responsibilities and carried out various tasks for rural vitalization in a down-to-earth manner.

Credit support was expanded for industrial development in poverty-stricken areas. Guided by the credit policy, the Company granted the fund transfer pricing (FTP) incentives for all inclusive agriculture-related loans (80 bps) and credit facilities for key counties designated for assistance under the national rural vitalization strategy (20 bps). According to local characteristics of resources and industrial development, new products and service models were created to step up the credit support for poverty-stricken areas. During the reporting period, the Company issued RMB13.231 billion of targeted assistance loans (including loans to people lifted out of poverty), and provided financial services for 383,462 people lifted out of poverty.

Ongoing efforts were made in support of Beijing Municipality's pairing assistance work. Branches of the Company continued to provide paired assistance for designated recipients according to local governments' work arrangements, making RMB15,378,400 of aids and donations through public welfare initiatives. Focusing on Inner Mongolia, Xinjiang, Qinghai, Tibet, Hubei, Henan and Hubei and other areas designated by Beijing for collaboration between the eastern and western regions, the Company purchased RMB10,633,600 worth of agricultural and sideline products through direct purchase, innovation center and online channels, providing consumption-based assistance for under-developed regions. Branches located in key areas designated for pairing assistance strengthened the coordination of resident work teams dispatched to help poor villages. One outstanding officer was dispatched to replace the deputy leader of the "fanghuiju" (an acronym that stands for "Visit the People, Benefit the People, and Get Together the Hearts of the People") resident work team in Hetian area. Three members were sent to the residential work team in Erdaozhuang Village, Fuping County, Baoding City, Hebei Province, two members to the resident work team in Jinpo Village, Angezhuang Township, Yixian County, Baoding City, one member to the resident work team in Wujiagou Village, Wujiagou Town, Zhuolu County, Zhangjiakou City and three members to the resident work team in Qiangongtang Village, Weixian Town, Xunxian County, Hebi City, Henan Province. Residential workers were also sent to designated areas in Inner Mongolia, Shanxi and other provinces.

5.2.3 Other performance of social responsibility

The Company upheld the vision of "harmony, sustainability and benevolence" with the brand philosophy of being "sustainable and better" at the core. Integrating social responsibility management with its own business development, the Company kept improving the social responsibility management mechanism and deepened social responsibility activities to foster an image as a socially responsible bank, demonstrate the commitment to social responsibility and stay the course of sustainable development together with stakeholders.

In terms of economic responsibility, guided by China's major regional development strategies, the Company served strategic plans such as coordinated development of the Beijing-Tianjin-Hebei Region, integration of the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and contributed financial resources to faster implementation of national strategies. Financial services for SMEs were deepened and a distinctive inclusive finance system was built to help ease micro, small and medium-sized enterprises tide over difficulties. The credit, investment and financing policies became more favorable of specialized and sophisticated producers of new and unique products, industrial transformation and upgrading were supported and the cross-border financial system was further improved to facilitate China's opening up and serve the high-quality development of the real economy.

In terms of social responsibility, the Company actively supported the rural revitalization strategy, consolidated the achievements in poverty alleviation and strengthened financial services for agriculture, rural areas and farmers, laying a solid foundation for common prosperity. The Company adhered to innovation-led development, strengthened FinTech empowerment and deepened the digital transition driven by industrial digital ecosystem and consumer digital ecosystem, providing customers with mobile, digital and intelligent financial services. Attaching great importance to consumer protection, the financial knowledge publicity and education were strengthened to enhance consumers' awareness of risk prevention, with customer experience management strengthened to improve customer satisfaction. The "people-oriented" philosophy was promoted to protect the rights and interests of employees and care for the career development and everyday life of employees. The Company devoted itself to public welfare and charity undertakings and carried out volunteer activities in a bid to build a harmonious society. During the reporting period, the Company donated RMB21,144,800.

In terms of environmental responsibility, the Company was committed to promoting the green and low-carbon transformation of economy and society through powerful financial services. The ESG philosophy was integrated with products and services and climate change risks were identified and managed to accelerate the transformation to climate-friendly banking. The Company deepened the green finance development strategy, furthered the international cooperation, actively promoted the structural optimization of investment and financing, constantly diversified the financial product and service offerings, supported biodiversity conservation and helped achieve the goal of "carbon peaking, carbon neutrality". The Company advocated the green and environmental protection philosophy, paid due attention to the impact of its own operations on the environment, practiced green office in an all-round way, intensified energy conservation and emission reduction efforts and continued to promote green and low-carbon operations.

For more details, please refer to the *2022 Corporate Social Responsibility Report of Hua Xia Bank Co., Limited* disclosed by the Company on the SSE website (www.sse.com.cn) and the Company's website (www.hxb.com.cn).

SECTION VI SIGNIFICANT EVENTS

6.1 PERFORMANCE OF COMMITMENTS

6.1.1 Upon the approval of CSRC, the Company issued 2,564,537,330 A-shares in a non-public offering in 2018, and these shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 8 January 2019. In this issuance, Shougang Group, State Grid Yingda International Holdings Group Ltd., and Beijing Infrastructure Investment Co., Ltd., committed not to transferring the Company's shares acquired at this offering within five years following the delivery date; and share transfer at maturity and qualification of the transferee for shareholder shall be subject to the consent of regulators.

Committed by	Shougang Group, State Grid Yingda International Holdings Group Ltd., Beijing Infrastructure Investment Co., Ltd.,
Commitment type	Restrictions on sales of shares of re-financing
Commitment	Committed not to transferring the Company's shares acquired at this offering within five years following the delivery date; and share transfer upon maturity and qualification of the transferee for shareholder shall be subject to the consent of regulators.
Commitment date	8 January 2019
Commitment term	5 years
Implemented in a strict and timely way (Yes/No)	Yes

6.1.2 Upon the approval of CSRC, the Company issued 527,704,485 A-shares in a non-public offering in 2022, and these shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 18 October 2022. Shareholders Shougang Group and Beijing Infrastructure Investment Co., Ltd. committed not to transferring the Company's shares acquired at this offering within five years following the listing date.

Committed by	Shougang Group, Beijing Infrastructure Investment Co., Ltd.
Commitment type	Restrictions on sales of shares of re-financing
Commitment	Committed not to transferring the shares acquired at this offering within five years following the listing date.
Commitment date	1 August 2022
Commitment term	5 years
Implemented in a strict and timely way (Yes/No)	Yes

6.2 FUND OCCUPANCY BY CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

During the reporting period, as audited and assured by Ernst & Young Hua Ming LLP, no funds of the Company were occupied for non-operating purposes by controlling shareholder or other related parties.

6.3 EXPLANATION ON THE NONSTANDARD AUDITOR'S REPORT

Not applicable.

6.4 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND METHODS AND CHANGES IN CONSOLIDATION SCOPE OF FINANCIAL STATEMENTS DURING THE REPORTING PERIOD, CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS

Not applicable.

6.5 ENGAGEMENT AND REMOVAL OF INTERMEDIARIES

6.5.1 Engagement and disengagement of the accounting firm for auditing the financial report

The Company engaged Ernst & Young Hua Ming LLP as the auditor of the 2022 financial statements with an audit fee of RMB4.65 million. Ernst & Young Hua Ming LLP for the Company started to provide audit services for the Company in 2021. The certified public accountants who signed the auditor's report for financial statements of the Company in 2022 are Zhang Fan and Sun Lingling. Zhang Fan has been the signatory certified public accountant of the Company since the annual audit in 2021 and Sun Lingling has been the signatory certified public accountant of the Company since the annual audit in 2022.

6.5.2 Engagement of the accounting firm for internal audit auditing

It engaged Ernst & Young Hua Ming LLP as the auditor of the 2022 internal control with an audit fee of RMB1.15 million.

6.5.3 Engagement of financial advisor

During the reporting period, the Company didn't engage any financial advisor.

6.5.4 Engagement of sponsor

The Company engaged CSC Financial Co. Ltd. as the sponsor for non-public offering of A-shares in 2022. Sponsorship fees and underwriting fees (excluding value added tax) for non-public offerings in 2022 totaled RMB3,018,900.

6.6 MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Company was not involved in any material legal proceedings or arbitrations. Most of these litigation and arbitration cases were lodged by the Company proactively for recovering NPLs. As at the end of the reporting period, there were 248 outstanding litigation cases where the Company is the defendant or a third party, involving a total value of RMB1.936 billion. Therefore, the Company believes that they won't have significant impact on its financial position or business results.

6.7 SUSPECTED NON-COMPLIANCES, PENALTIES AND CORRECTIVE ACTIONS OF THE COMPANY, AS WELL AS ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS

During the reporting period, the Company and its directors, supervisors and senior management members were not subject to any investigation of suspected crime or subject to enforcement action or criminal penalty imposed in accordance with the law, or subject to investigation of suspected illegalities or irregularities by CSRC or administrative penalty imposed by CSRC or subject to any other major administrative penalty imposed by other competent authorities. No directors, supervisors or senior managers of the Company were detained by discipline inspection and supervision authorities for serious violation of laws and regulations or work-related crimes, which affected their performance of duties, or subjected to enforcement actions taken by other competent authorities for suspected violation of laws and regulations, which affected their performance of duties.

No directors, supervisors or senior managers of the Company were subjected to administrative regulatory measures taken by CSRC or disciplinary actions taken by the stock exchange.

6.8 STATEMENT ON CREDIT STANDING OF THE LISTED COMPANY

During the reporting period, there was no significant valid court judgment with which the Company had not complied, nor was there any outstanding debt of significant amount.

6.9 RELATED PARTY TRANSACTIONS

6.9.1 Overview, pricing principle and basis of related party transactions

During the reporting period, the Group-wide balance of credit to related parties totaled RMB34.662 billion. With margin deposits, pledged certificates of deposit and treasury bonds excluded, the credit balance was RMB34.110 billion, accounting for 9.05% of net capital of the Company, kept within the regulatory ceiling of 50%. The largest balance of credit to a related party went to Shougang Group, totaling RMB11.590 billion. With margin deposits, pledged certificates of deposit and treasury bonds excluded, the credit balance was RMB11.454 billion, accounting for 3.04% of the net capital of the Company, kept within the regulatory ceiling of 10%. The largest balance of credit to a group of related legal persons went to Shougang Group, totaling RMB15.885 billion. With margin deposits, pledged certificates of deposit and treasury bonds excluded, the credit balance was RMB15.533 billion, accounting for 4.12% of the net capital of the Company, kept within the regulatory ceiling of 15%. Group-wide non-credit transactions with all related parties reached RMB56.483 billion, accounting for 14.98% of the net capital of the Company, of which asset transfers amounted to RMB7.299 billion, service transactions were RMB1.056 billion and deposit and other transactions reached RMB48.128 billion.

During the reporting period, in accordance with the *Preparation and Reporting Rules for Information Disclosure by Companies Offering Securities to the Public No. 26: Special Provisions on Information Disclosure of Commercial Banks*, the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the *Self-regulatory Guidelines of Shanghai Stock Exchange No. 5: Transactions and Related Party Transactions*, the *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions* and the *Interim Measures for the Equity Management of Commercial Banks issued by CBIRC* as well as other relevant regulations, the Company reviewed major changes in regulatory rules, revised the policy on related party transactions, improved the classification of related party transactions, carried out a crackdown campaign on related party transaction data quality, took effective measures to implement regulatory requirements and further controlled the risks of related party transactions.

In the reporting period, the Company conducted all related party transactions in accordance with the commercial principles and under conditions that were not more favorable than those for similar non-related party transactions, with pricing conforming to the principle of market price.

6.9.2 Material related party transactions concerning daily operation

6.9.2.1 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB38.496 billion granted for the related party transactions between Shougang Group and its related enterprises in 2022. Specifically, the quota for credit related party transactions was RMB28 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB10.496 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB15.533 billion. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	28,000.00	15,532.77
Asset transfer	Transaction price	1,000.00	0
Financial advisory services	Service fee receipts/expenditures	135.00	8.19
Asset custody services	Service fee receipts	0.50	0
Wealth management service	Service fee receipts	50.00	0
Integrated services	Service fee receipts/expenditures	30.50	16.30
Treasury operations and investment	Gain/loss on transactions (cumulative)	2,280.00	0
Deposits	Non-demand	7,000.00	1,647.62

6.9.2.2 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB41.546 billion granted for the related party transactions between State Grid Yingda International Holdings Group Ltd. and its related enterprises in 2022. Specifically, the quota for credit related party transactions was RMB28 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB13.546 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB10.947 billion. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	28,000.00	10,947.23
Asset transfer	Transaction price	1,500.00	0
Financial advisory services	Service fee receipts/expenditures	190.00	36.15
Asset custody services	Service fee receipts	0.10	0.01
Wealth management service	Service fee receipts	50.00	0
Integrated services	Service fee receipts/expenditures	6.00	0
Treasury operations and investment	Gain/loss on transactions (cumulative)	3,800.00	274.38
Deposits	Non-demand	8,000.00	581.52

6.9.2.3 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB34.018 billion granted for the related party transactions between PICC Property and Casualty Company Limited and its related enterprises in 2022. Specifically, the quota for credit related party transactions was RMB28 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB6.018 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB532 million. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	28,000.00	531.92
Asset transfer	Transaction price	2,500.00	674.91
Financial advisory services	Service fee receipts/expenditures	203.00	16.70
Asset custody services	Service fee receipts	30.00	9.08
Wealth management service	Service fee receipts	50.00	0
Integrated services	Service fee receipts/expenditures	34.90	10.98
Treasury operations and investment	Gain/loss on transactions (cumulative)	2,200.00	0.89
Deposits	Non-demand	1,000.00	870.64

6.9.2.4 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties. According to the proposal, the Company agreed to approve the credit line worth RMB22.620 billion granted for the related party transactions between Beijing Infrastructure Investment Co., Ltd. and its related enterprises in 2022. Specifically, the quota for credit related party transactions was RMB12 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB10.620 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB3.129 billion. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	12,000.00	3,129.49
Asset transfer	Transaction price	2,000.00	0
Financial advisory services	Service fee receipts/expenditures	60.00	0
Asset custody services	Service fee receipts	10.00	4.61
Wealth management service	Service fee receipts	50.00	0
Treasury operations and investment	Gain/loss on transactions (cumulative)	1,500.00	60.00
Deposits	Non-demand	7,000.00	1,254.07

6.9.2.5 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB34.719 billion granted for the related party transactions between Yunnan Hehe (Group) Co., Ltd. and its related enterprises in 2022. Specifically, the quota for credit related party transactions was RMB7.570 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB27.1490 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB377 million. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	7,570.00	376.86
Asset transfer	Transaction price	2,500.00	0
Financial advisory services	Service fee receipts/expenditures	80.00	1.06
Asset custody services	Service fee receipts	5.00	0.16
Wealth management service	Service fee receipts	50.00	0
Integrated services	Service fee receipts/expenditures	3.50	2.97
Treasury operations and investment	Gain/loss on transactions (cumulative)	1,510.00	0.12
Deposits	Non-demand	23,000.00	3,929.37

6.9.2.6 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB25.619 billion granted for the related party transactions of Huaxia Financial Leasing Co., Ltd. in 2022. Specifically, the quota for credit related party transactions was RMB22 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB3.619 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. As at the end of the reporting period, the balance of the above credit line (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) stood at RMB6.210 billion. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	22,000.00	6,209.74
Asset transfer	Transaction price	500.00	0
Financial advisory services	Service fee receipts/expenditures	115.00	22.08
Integrated services	Service fee receipts/expenditures	4.00	2.73
Treasury operations and investment	Gain/loss on transactions (cumulative)	500.00	0
Deposits	Non-demand	2,500.00	0

6.9.2.7 The 19th Meeting of the Eighth Board of Directors and the Annual General Meeting for 2021 were convened on 15 March 2022 and 20 May 2022 respectively, considering and adopting the *Proposal on Application for the Quota for the Day-to-day Related Party Transactions with Related Parties*. According to the proposal, the Company agreed to approve the credit line worth RMB19.315 billion granted for the related party transactions of Huaxia Wealth Management Co., Ltd. in 2022. Specifically, the quota for credit related party transactions was RMB10 billion (with deduction of the amount of margin deposits, pledged bank deposit certificates and treasury bonds provided by the related parties) and the quota for non-credit related party transactions was RMB9.315 billion. Details can be seen in the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* which was disclosed on 16 March 2022. At the end of the reporting period, Huaxia Wealth Management Co., Ltd. registered a zero balance of credit to related parties. For the use of the quota for related party transactions, please see the table below:

(Unit: RMB1 million)

Type of related party transaction	Scope of calculation	Expected ceiling of 2022	Use as of 31 December 2022
Credit transactions	Credit limit	10,000.00	0
Asset transfer	Transaction price	2,500.00	0
Financial advisory services	Service fee receipts/expenditures	3,712.00	937.60
Asset custody services	Service fee receipts	550.00	130.58
Integrated services	Service fee receipts/expenditures	3.00	0
Treasury operations and investment	Gain/loss on transactions (cumulative)	550.00	11.32
Deposits	Non-demand	2,000.00	0

6.9.3 Material related party transactions arising from the acquisition and sale of assets or equities

During the reporting period, the Company purchased from Beijing Shouqiao Innovation Real Estate Co., Ltd. the land plot 1607-035 for construction of the tailor-made Digital Technology Building. The project as a construction land area of 23,380.63 square meters, a plot ratio of 4.0 and a gross floor area of 135,541.36 square meters. The gross floor area above ground is 93,522.52 square meters, and the gross floor area below ground is 42,018.84 square meters.

The Company engaged Beijing China Enterprise Appraisals Co., Ltd. to evaluate this project. According to the asset valuation, the transaction price was determined through arm's length negotiation between the Company and Beijing Shouqiao Innovation Real Estate Co., Ltd. The valuation was RMB4,551,708,200 and the transaction price was RMB4.52 billion. As of 31 December 2022, the book value of the asset was about RMB1.30 billion. As the construction of the project had not yet been commenced, the book value was principally land value. According to the customized construction and purchase contract between the two parties, the will be made in cash and in installments according to the progress of the project construction, certification and licensing.

The above related party transaction followed the principles of fairness, arm's length and market-based pricing and the principle of general commercial fairness, having no material impact on the normal operating results and financial position of the Company.

As for the above related party transactions, the Company published the *Announcement on Related Party Transactions of Hua Xia Bank Co., Limited* on the Shanghai Stock Exchange website (www.sse.com.cn) on 26 November 2022.

6.9.4 Material related party transactions arising from the external investments made by the Company and its related parties jointly

During the reporting period, there were no related party transactions arising from the external investments made by the Company or its related parties jointly.

6.9.5 Details of debt & claim, guarantee or other affairs between the Company and its related parties can be seen in the Notes to the Financial Statements as a part of the Report

6.9.6 Financial transactions between the Company and related finance company and those between finance company controlled by the Company and a related party

Finance companies that were related parties of the Company were Shougang Group Finance Co., Ltd. and China Power Finance Co., Ltd. Shougang Group Finance Co., Ltd. is a finance company of Shougang Group. China Power Finance Co., Ltd. is a finance company of State Grid Corporation of China. The Company had no controlled finance company during the reporting period.

6.9.6.1 During the reporting period, the financial transactions between the Company and Shougang Group Finance Co., Ltd. were lending under a credit line. On 4 March 2022, the Company granted to Shougang Group Finance Co., Ltd. an overall credit line of RMB1.2 billion, which was shared among lending, treasury trading, trade finance and interbank guarantee on an unsecured basis. Loans under lending and trade finance must be fully secured by such means as approved by the Company. As at the end of the reporting period, the credit transactions of Shougang Group Finance Co., Ltd. were discounting of bank acceptance bill.

During the reporting period, the discounting volume was RMB1.167 billion with an outstanding balance of RMB410 million and a pricing range of 1.90%-4.40%. The basis of pricing was the guidance price published daily by the Company. Shougang Group Finance Co., Ltd. had an interest in these transactions as the acceptor of banker's acceptances. The Company discounted the bills accepted by Shougang Group Finance Co., Ltd., thereby serving MSBs and private enterprises. The above transactions have been included in the quota management for credit related transactions of Shougang Group.

At the end of the reporting period, the deposit balance of Shougang Group Finance Co., Ltd. had RMB646 million in balance of deposits with the Company. The interbank term deposit transactions amounted to RMB500 million in the year, with an ending balance of RMB500 million at an interest rate of 2.25%. At the beginning of 2022, the registered deposit quota was RMB1 billion with a daily deposit ceiling of RMB1 billion. The Company had a zero deposit balance with Shougang Group Finance Co., Ltd. The Company recorded zero in loans from or to Shougang Group Finance Co., Ltd.

6.9.6.2 During the reporting period, the financial transactions between the Company and China Power Finance Co., Ltd. were lending under a credit line. On 12 October 2022, the Company granted to China Power Finance Co., Ltd. an overall credit line of RMB1.5 billion, which was shared among lending, trade finance and interbank guarantee (for other banks) on an unsecured basis. Lending (including trade finance) should not be unsecured.

As at the end of the reporting period, the credit transactions of China Power Finance Co., Ltd. were discounting of bank acceptance bills. During the reporting period, the discounting volume was RMB500,000 with an outstanding balance of zero and a price of 3.30%. The basis of pricing was the guidance price published daily by the Company. China Power Finance Co., Ltd. had an interest in these transactions as the acceptor of banker's acceptances. The Company discounted the bills accepted by China Power Finance Co., Ltd., thereby serving MSBs and private enterprises. The above transactions have been included in the quota management for credit related transactions of State Grid Yingda International Holdings Group Ltd.

At the end of the reporting period, China Power Finance Co., Ltd. had RMB98,700 in balance of deposit with the Company, all of which was demand deposit. The Company had a zero deposit balance with China Power Finance Co., Ltd. The Company recorded zero in loans from or to China Power Finance Co., Ltd.

6.9.7 Other material related party transactions

On 18 October 2022, the Company completed the non-public offering of 527,704,485 ordinary shares to Shougang Group and Beijing Infrastructure Investment Co., Ltd., among which 329,815,303 shares were subscribed by Shougang Group for an amount of RMB4,999,999,993.48 and 197,889,182 shares were subscribed by Beijing Infrastructure Investment Co., Ltd. for RMB2,999,999,999.12. The funds raised by the Company totaled RMB7,999,999,992.60.

The above related party transactions complied with relevant laws and regulations. All the raised funds, after deduction of issuance costs and expenses, were used to replenish the Company's core tier 1 capital, enhance its risk resilience and help ensure sustainable and steady development of the Company.

As for the above related party transactions, the Company published the *Announcement on Related Party Transactions Regarding Non-public Offering of A-shares of Hua Xia Bank Co., Limited* on the Shanghai Stock Exchange website (www.sse.com.cn) on 9 August 2022.

6.9.8 For details of the Company's balance of transactions with, and risk exposures to, related natural persons, please see the Notes to the Financial Statements as a part of the Report

6.10 MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

6.10.1 Material custody, contract and lease

During the reporting period, the Company did not engage in any material custody, contracting or leasing of assets of other companies, neither did other companies take custody, engage in contracting of or lease any assets of the Company.

6.10.2 Material guarantees and guarantee non-compliances

Except for financial guarantees within the business scope as approved by CBIRC, the Company had no material guarantees to be disclosed during the reporting period. The Company had no guarantee non-compliances during the reporting period.

6.10.3 Other material contracts

During the reporting period, there was no any material dispute over contracts.

6.11 INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON EXTERNAL GUARANTEES

Pursuant to applicable regulations and requirements of CSRC, Independent Directors of the Company reviewed the external guarantees of the Company in 2022 on a fair, impartial and objective basis. Specific review opinions are hereby given below:

The external guarantee service of the Company is a part of the ordinary banking services within the business scope of the Company as approved by PBOC and CBIRC. As at the end of the reporting period, outstanding guarantees of the Company amounted to RMB30.726 billion, down RMB1.916 billion compared with the end of the previous year.

The Company enhanced guarantee risk management by including guarantee activities into centralized credit facility management, conducting stringent due diligence, approval and management, and strengthening risk identification, assessment, monitoring and control, which had effectively controlled guarantee risks. During the reporting period, external guarantee service of the Company was run normally without any non-compliance.

6.12 OTHER SIGNIFICANT EVENTS

The Company issued the Hua Xia Bank Co., Ltd. 2022 Financial Bond (Series 1) in the national inter-bank bond market on 25 February 2022. It was three-year fixed rate bond with an issue volume of RMB20 billion and a coupon rate of 2.78%.

The Company issued the Hua Xia Bank Co., Ltd. 2022 Financial Bond (Series 2) in the national inter-bank bond market on 20 April 2022. It was three-year fixed rate bond with an issue volume of RMB10 billion and a coupon rate of 2.83%.

The Company issued the Hua Xia Bank Co., Ltd. 2022 Tier 2 Capital Bond (Series 1) in the national inter-bank bond market on 23 August 2022. It was three-year fixed rate bond with an issue volume of RMB30 billion and a coupon rate of 3.10%, attached with the issuer's conditional right to redeem at the end of the fifth year.

6.13 SIGNIFICANT EVENTS OF SUBSIDIARIES

During the reporting period, Huaxia Financial Leasing Co., Ltd. converted retained profit into registered capital. The conversion increased registered capital to RMB10 billion from RMB8 billion, with the mix of shareholders and their shareholding ratios remaining unchanged.

6.14 INDEX OF INFORMATION DISCLOSURES

Matter	Published in journals	Date of publication	Published on website
Announcement of Hua Xia Bank on Auction for State-owned Land Use Right	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i>	6 January 2022	http://www.sse.com.cn
Announcement on Resolutions of the 17th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	26 January 2022	Ditto
Announcement on Resignation of Vice Chairman of Hua Xia Bank	Ditto	8 February 2022	Ditto
Announcement on Resolutions of the 18th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	18 February 2022	Ditto
Announcement on Resignation of Executive Director and President of Hua Xia Bank	Ditto	18 February 2022	Ditto
Announcement of Hua Xia Bank on Obtaining CIBRC Approval for Non-public Offering of A-shares	Ditto	22 February 2022	Ditto
Announcement on 2021 Earnings Guidance of Hua Xia Bank	Ditto	23 February 2022	Ditto
Announcement of Hua Xia Bank on Finishing Issuance of 2022 Financial Bond Series 1	Ditto	3 March 2022	Ditto
Notice of Hua Xia Bank on Holding the First Extraordinary General Meeting for 2022	Ditto	16 March 2022	Ditto
Announcement on Resolutions of the 14th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	16 March 2022	Ditto
Announcement on Related Party Transaction of Hua Xia Bank	Ditto	16 March 2022	Ditto
Announcement on Resolutions of the 19th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	16 March 2022	Ditto
Announcement of Hua Xia Bank on Distribution of Dividends for Preference Shares	Ditto	17 March 2022	Ditto
Announcement on Resolutions of the 20th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	1 April 2022	Ditto
Announcement on Resolutions of the First Extraordinary General Meeting for 2022 of Hua Xia Bank	Ditto	1 April 2022	Ditto
Announcement of Hua Xia Bank on Reply to Feedback on Application for Non-public Offering of A-shares	Ditto	7 April 2022	Ditto
Announcement on Resolutions of the 21st Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	23 April 2022	Ditto
Announcement of Hua Xia Bank on Finishing Issuance of 2022 Financial Bond Series 2	Ditto	25 April 2022	Ditto
Announcement of Hua Xia Bank on Holding the 2021 Annual Results Presentation	Ditto	25 April 2022	Ditto
Announcement of Hua Xia Bank on Reengagement of Accounting Firm	Ditto	30 April 2022	Ditto
Announcement on 2021 Profit Distribution Plan of Hua Xia Bank	Ditto	30 April 2022	Ditto
Announcement on Resolutions of the 22nd Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	30 April 2022	Ditto

Matter	Published in journals	Date of publication	Published on website
Announcement of Hua Xia Bank on Extending the Validity of Resolution and Authorization of the Shareholders' General Meeting for Non-public Offering of A-shares	Ditto	30 April 2022	Ditto
Announcement on Annual Report of Hua Xia Bank in 2021	Ditto	30 April 2022	Ditto
Announcement on First Quarterly Report of Hua Xia Bank in 2022	Ditto	30 April 2022	Ditto
Notice of Hua Xia Bank on Holding the Annual General Meeting for 2021	Ditto	30 April 2022	Ditto
Announcement on Resolutions of the 15th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	30 April 2022	Ditto
Announcement on Resolutions of the Annual General Meeting for 2021 of Hua Xia Bank	Ditto	21 May 2022	Ditto
Announcement on Resolutions of the 16th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	30 May 2022	Ditto
Announcement on Annual Equity Distribution for 2021 of Hua Xia Bank	Ditto	30 May 2022	Ditto
Announcement of Hua Xia Bank on Redemption of Tier 2 Capital Bond	Ditto	30 May 2022	Ditto
Announcement on Resolutions of the 23rd Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	22 June 2022	Ditto
Announcement of Hua Xia Bank on Obtaining the Approval of the Public Offering Review Committee of CSRC for the Application for Non-public Offering of A-shares	Ditto	28 June 2022	Ditto
Announcement of Hua Xia Bank on Obtaining the Approval of China Securities Regulatory Commission for the Application for Non-public Offering of A-shares	Ditto	13 July 2022	Ditto
Announcement on Resignation of Director of Hua Xia Bank	Ditto	16 July 2022	Ditto
Announcement of Hua Xia Bank on Approval of CBIRC for Qualification of Directors	Ditto	27 July 2022	Ditto
Announcement on Resolutions of the 24th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	30 July 2022	Ditto
Announcement of Hua Xia Bank on Obtaining the Approval for Issuance of Tier 2 Capital Bond	Ditto	6 August 2022	Ditto
Announcement on Resolutions of the 17th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	9 August 2022	Ditto
Announcement of Hua Xia Bank on Related Party Transactions Regarding Non-public Offering of A-shares	Ditto	9 August 2022	Ditto
Announcement on Resolutions of the 25th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	9 August 2022	Ditto
Announcement of Hua Xia Bank on Holding the 2022 Interim Results Presentation	Ditto	23 August 2022	Ditto
Announcement of Hua Xia Bank on Finishing Issuance of 2022 Tier 2 Capital Bond (Series 1)	Ditto	26 August 2022	Ditto
Announcement on Interim Report of Hua Xia Bank in 2022	Ditto	30 August 2022	Ditto
Announcement on Resolutions of the 18th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	30 August 2022	Ditto
Announcement on Resolutions of the 26th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	30 August 2022	Ditto
Announcement of Hua Xia Bank on Approval of CBIRC for Qualification of Directors	Ditto	7 September 2022	Ditto
Announcement of Hua Xia Bank on Approval of CBIRC for Qualification of Directors	Ditto	11 October 2022	Ditto

Matter	Published in journals	Date of publication	Published on website
Indicative Announcement of Hua Xia Bank on Non-public Offering of A-shares	Ditto	14 October 2022	Ditto
Announcement of Hua Xia Bank on Signing of Escrow Agreement on Raised Funds	Ditto	14 October 2022	Ditto
Announcement of Hua Xia Bank on Results of Non-public Offering of A-shares and Changes in Shares	Ditto	20 October 2022	Ditto
Announcement of Hua Xia Bank on Adjustment to the Mandatory Conversion Price of Preference Shares	Ditto	21 October 2022	Ditto
Announcement on Resolutions of the 19th Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	29 October 2022	Ditto
Announcement on Third Quarterly Report of Hua Xia Bank in 2022	Ditto	29 October 2022	Ditto
Announcement on Resolutions of the 27th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	29 October 2022	Ditto
Announcement of Hua Xia Bank on Holding the 2022Q3 Results Presentation	Ditto	8 November 2022	Ditto
Announcement on Resolutions of the 28th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	8 November 2022	Ditto
Announcement of Hua Xia Bank on Appointment of President	Ditto	8 November 2022	Ditto
Announcement of Hua Xia Bank on Amendments to the Articles of Association	Ditto	26 November 2022	Ditto
Announcement of Hua Xia Bank on Change in Registered Capital and Amendments to Articles of Association	Ditto	26 November 2022	Ditto
Notice of Hua Xia Bank on Holding the Second Extraordinary General Meeting for 2022	Ditto	26 November 2022	Ditto
Announcement on Resolutions of the 21st Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	26 November 2022	Ditto
Announcement on Related Party Transaction of Hua Xia Bank	Ditto	26 November 2022	Ditto
Announcement of Hua Xia Bank on Appointment of Principal of Financial Affairs	Ditto	26 November 2022	Ditto
Announcement on Resolutions of the 29th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	26 November 2022	Ditto
Announcement on Resolutions of the Second Extraordinary General Meeting for 2022 of Hua Xia Bank	Ditto	13 December 2022	Ditto
Announcement on Resolutions of the 21st Meeting of the Eighth Board of Supervisors of Hua Xia Bank	Ditto	17 December 2022	Ditto
Announcement on Resolutions of the 30th Meeting of the Eighth Board of Directors of Hua Xia Bank	Ditto	31 December 2022	Ditto

SECTION VII DETAILS OF CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

7.1 CHANGES IN SHARES

7.1.1 Changes in ordinary shares

7.1.1.1 Changes in ordinary shares

(Unit: share)

	31 December 2021		Increase/ decrease	31 December 2022	
	Number	Percentage (%)		Number	Percentage (%)
I. Shares subject to restrictions or sales	2,564,537,330	16.67	527,704,485	3,092,241,815	19.43
1. State-owned shares	-	-	-	-	-
2. Shares held by state-owned corporations	2,564,537,330	16.67	527,704,485	3,092,241,815	19.43
3. Shares held by other domestic investors	-	-	-	-	-
Of which: shares held by domestic non-state-owned corporations	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-
Of which: shares held by foreign corporations	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-
II. Shares not subject to restrictions on sales	12,822,686,653	83.33	-	12,822,686,653	80.57
1. RMB-denominated ordinary shares	12,822,686,653	83.33	-	12,822,686,653	80.57
2. Foreign shares listed domestically	-	-	-	-	-
3. Foreign shares listed overseas	-	-	-	-	-
4. Others	-	-	-	-	-
III. Total number of shares	15,387,223,983	100.00	527,704,485	15,914,928,468	100.00

7.1.1.2 Changes in ordinary shares

During the reporting period, the Company issued 527,704,485 A-shares in a non-public offering and completed the subscription payment and capital verification. After this offering, the total number of shares outstanding of the Company increased from 15,387,223,983 to 15,914,928,468. These issued shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 18 October 2022.

7.1.1.3 Effect of changes in shares on basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in last year and last reporting period

Basic earnings per share for 2022 stood at RMB1.43 and diluted earnings per share were RMB1.43. Net assets per share attributable to ordinary shareholders of the listed company were RMB16.37.

Basic earnings per share for 2021 stood at RMB1.35 and diluted earnings per share were RMB1.35. Net assets per share attributable to ordinary shareholders of the listed company were RMB15.49.

7.1.2 Changes in registered shares subject to restrictions on sales

(Unit: share)

Name of shareholder	Number of shares subject to restrictions on sales at the beginning of the year	Number of shares released from restrictions on sales in the year	Increase of shares subject to restrictions on sales in the year	Number of shares subject to restrictions on sales at the end of the year	Reason for restrictions on sales	Date on which shares become tradable
			0	519,985,882	(Refer to Note 1 for details)	8 January 2024
Shougang Group	519,985,882	0	329,815,303	329,815,303	(Refer to Note 2 for details)	18 October 2027
			Sub-total	849,801,185	/	/
State Grid Yingda International Holdings Group Ltd.	737,353,332	0	0	737,353,332	(Refer to Note 1 for details)	8 January 2024
			0	1,307,198,116	(Refer to Note 1 for details)	8 January 2024
Beijing Infrastructure Investment Co., Ltd.	1,307,198,116	0	197,889,182	197,889,182	(Refer to Note 2 for details)	18 October 2027
			Sub-total	1,505,087,298	/	/
Total	2,564,537,330	0	527,704,485	3,092,241,815	/	/

Notes:

- The 2,564,537,330 A-shares in this non-public offering in 2018 got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 8 January 2019, and the subscribers may not transfer these shares within five years since the date of subscription. Where the lock-up period and the transfer at maturity are subject to other regulatory requirements, these requirements shall prevail. Upon the expiration of lock-up period, the transfer of related shares shall be conducted as per the applicable laws and regulations like the *Company Law of the People's Republic of China* as well as the relevant provisions of CSRC and Shanghai Stock Exchange.
- The 527,704,485 A-shares in this non-public offering in 2022 got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 8 January 2019, and the subscribers may not transfer these shares within five years since the date of listing. Upon the expiration of lock-up period, the transfer of shares subscribed for in this issuance shall be conducted as per the applicable laws and regulations like the *Company Law of the People's Republic of China* as well as the relevant provisions of CSRC and Shanghai Stock Exchange.

7.2 SECURITIES ISSUE AND OFFERING

7.2.1 Securities issue during the reporting period

To continuously meet the capital regulatory requirements for commercial banks, improve capital adequacy and support the sustainable and steady business development of the Company, the Company issued 527,704,485 A-shares to Shougang Group and Beijing Infrastructure Investment Co., Ltd. in a non-public offering, raising a total amount of RMB7,999,999,992.60 at an issue price of RMB15.16 per share. The subscription payment and capital verification for the offering were completed on 11 October 2022. These issued shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 18 October 2022.

7.2.2 Changes in the total number of ordinary shares and shareholder structure

After this issuance, the total number of shares outstanding of the Company increased from 15,387,223,983 to 15,914,928,468. Prior to issuance, shareholders holding over 5% of shares in the Company were Shougang Group (20.28%), State Grid Yingda International Holdings Group Ltd. (19.99%), PICC Property and Casualty Company Limited (16.66%) and Beijing Infrastructure Investment Co., Ltd. (9.95%). After issuance, shareholders holding over 5% of shares in the Company were Shougang Group (21.68%), State Grid Yingda International Holdings Group Ltd. (19.33%), PICC Property and Casualty Company Limited (16.11%) and Beijing Infrastructure Investment Co., Ltd. (10.86%).

7.2.3 Individual employee stock ownership

Not applicable.

7.3 SHAREHOLDERS

7.3.1 Number of ordinary shareholders and particulars of shareholding of the top 10 preference shareholders as at the end of the reporting period

(Unit: share)

Total number of ordinary shareholders as at the end of the reporting period	109,315
Total number of ordinary shareholders at the end of the month immediately before disclosing date of this Annual Report	108,836
Total number of preference shareholders with restored voting rights as at the end of the reporting period	0

Particulars of shareholding of the top 10 preference shareholders							
Name of shareholder	Nature of shareholder	Changes during the reporting period	Shareholding Percentage (%)	Shares held at the end of the period	Number of shares subject to restrictions on sales that were held	Shares pledged, marked or frozen	
						Shares status	Number
Shougang Group	State-owned legal person	329,815,303	21.68	3,449,730,597	849,801,185	None	
State Grid Yingda International Holdings Group Ltd.	State-owned legal person	0	19.33	3,075,906,074	737,353,332	None	
PICC Property and Casualty Company Limited	State-owned legal person	0	16.11	2,563,255,062	0	None	
Beijing Infrastructure Investment Co., Ltd.	State-owned legal person	197,889,182	10.86	1,728,201,901	1,505,087,298	None	
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	0	3.52	560,851,200	0	None	
Hong Kong Securities Clearing Company Limited	Foreign legal person	97,265,847	2.67	425,139,015	0	None	
Runhua Group Co., Ltd.	Domestic non-state-owned legal person	0	1.72	273,312,100	0	Pledge	273,312,100
China Securities Finance Corporation Limited	State-owned legal person	0	1.27	201,454,805	0	None	
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0	1.03	163,358,260	0	None	
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset management Plan	Others	0	0.48	76,801,200	0	None	
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
Zhong Ou AMG – Agricultural Bank of China – Zhong Ou CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
ChinaAMC – Agricultural Bank of China – ChinaAMC CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
Southern Asset Management – Agricultural Bank of China – Southern CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	
ICBC Credit Suisse – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan	Others	0	0.48	76,801,200	0	None	

Shareholdings of the top 10 shareholders not subject to restrictions on sales

Name of shareholder	Number of shares not subject to restrictions on sales that were held	Type of shares
Shougang Group	2,599,929,412	RMB-denominated ordinary shares
PICC Property and Casualty Company Limited	2,563,255,062	RMB-denominated ordinary shares
State Grid Yingda International Holdings Group Ltd.	2,338,552,742	RMB-denominated ordinary shares
Yunnan Hehe (Group) Co., Ltd.	560,851,200	RMB-denominated ordinary shares
Hong Kong Securities Clearing Company Limited	425,139,015	RMB-denominated ordinary shares
Runhua Group Co., Ltd.	273,312,100	RMB-denominated ordinary shares
Beijing Infrastructure Investment Co., Ltd.	223,114,603	RMB-denominated ordinary shares
China Securities Finance Corporation Limited	201,454,805	RMB-denominated ordinary shares
Central Huijin Asset Management Co., Ltd.	163,358,260	RMB-denominated ordinary shares
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Zhong Ou AMG – Agricultural Bank of China – Zhong Ou CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
ChinaAMC – Agricultural Bank of China – ChinaAMC CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Southern Asset Management – Agricultural Bank of China – Southern CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
ICBC Credit Suisse – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan	76,801,200	RMB-denominated ordinary shares
Repo accounts of top 10 shareholders	The Company had no share repurchases during the reporting period.	
Delegating or abandoning of voting rights of the above shareholders	The Company found none of the above shareholders delegated or abandoned voting rights or gained delegated voting rights from others.	
Remarks on the connected relations or concerted action of the above shareholders	The Company has no knowledge of any other connected relations among the above-mentioned shareholders or concerted action defined in the <i>Administrative Measures for Acquisition of Listed Companies</i> .	

7.3.2 Number of shares subject to restrictions on sales held by shareholders and restrictions on sales

(Unit: share)

Name of shareholder subject to restrictions on sales	Particulars of trading of shares subject to restrictions on sales			
	Tradable time	Number of new tradable shares	Number of shares subject to restrictions on sales that were held	Restrictions on sales
Shougang Group	519,985,882	8 January 2024	519,985,882	(Refer to Note 1 for details)
	329,815,303	18 October 2027	329,815,303	(Refer to Note 2 for details)
State Grid Yingda International Holdings Group Ltd.	737,353,332	2024 8 January	737,353,332	(Refer to Note 1 for details)
Beijing Infrastructure Investment Co., Ltd.	1,307,198,116	2024 8 January	1,307,198,116	(Refer to Note 1 for details)
	197,889,182	18 October 2027	197,889,182	(Refer to Note 2 for details)

Notes:

1. The Company issued 2,564,537,330 A-shares in a non-public offering in 2018, and these shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 8 January 2019. All subscribers may not transfer their shares within five years since the date of subscription. Where the lock-up period and the transfer at maturity are subject to other regulatory requirements, these requirements shall prevail. These shares are expected to become tradable on 8 January 2024 (which will be postponed to the subsequent trading day in case of a statutory public holiday/festival or rest day).

2. The Company issued 527,704,485 A-shares in a non-public offering in 2022, and these shares got registration and sale restriction procedures done with Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on 18 October 2022. All subscribers may not transfer their shares within five years since the listing date of the above shares. These shares are expected to become tradable on 18 October 2027 (which will be postponed to the subsequent trading day in case of a statutory public holiday/festival or rest day).

7.3.3 Particulars of shareholders holding over 5% ordinary shares of the Company

The Company has no controlling shareholder or de facto controller. Shougang Group is the largest shareholder of the Company. At the end of the reporting period, shareholders holding over 5% shares of the Company were Shougang Group (21.68%), State Grid Yingda International Holdings Group Ltd. (19.33%), PICC Property and Casualty Company Limited (16.11%) and Beijing Infrastructure Investment Co., Ltd. (10.86%).

7.3.3.1 Shougang Group

Shougang Group (formerly known as "Shougang Corporation") was changed into its current name in May 2017 and restructured from an enterprise owned by the whole people into a wholly state-owned company with the approval of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. With unified social credit code as 911100001011200015, its legal representative is Zhang Gongyan and its registered capital is RMB28,755 million. Shougang Group is a large enterprise group with the operation covering different industries, regions and countries. Its core businesses include industries, construction, geologic exploration, transportation, foreign trade, telecommunication, finance and insurance, scientific research and comprehensive technological service, domestic commerce, public catering, material supply and sales, warehouse, real estate, residential service, consultation, leasing, agriculture, forestry, husbandry, fishery (except for those without special license) and authorized management of state-owned assets; establishment of the newspaper *Shougang Daily*; design and production of TV ads; release of ads with its self-owned TV station; design and production of prints and ads; placement of ads on its self-owned *Shougang Daily*; sewage treatment and recycling; seawater desalination; art creation and performance; operations of sports events (except those involving high risk); operations of sports venues; Internet information service; and municipal domestic waste treatment.

The equity relationship between the Company and Shougang Group as the largest shareholder is illustrated below:



7.3.3.2 State Grid Yingda International Holdings Group Ltd.

State Grid Yingda International Holdings Group Ltd. (formerly known as "State Grid Asset Management Co., Ltd."), founded on 18 October 2007, is a wholly-owned subsidiary of State Grid Corporation of China with Li Ronghua as its legal representative. Its unified social credit code is 91110000710935089N. Its registered capital is RMB19.9 billion. Business scope: Investment and assets operation and management; assets custody, rendering services for enterprise restructuring, M&A, strategic placement and venture capital investment; investment consultation; and investment advisory.

7.3.3.3 PICC Property and Casualty Company Limited

PICC Property and Casualty Company Limited was solely sponsored by People's Insurance Company of China in July 2003 after obtaining approval from the State Council and the former China Insurance Regulatory Commission. It is the largest property insurer in the mainland China. The unified social credit code is 91100000710931483R and the legal representative is Yu Ze. The registered capital is RMB22,242.77 million. Business scope: property loss insurance, liability insurance, credit insurance, accident insurance, short-term health insurance, guarantee insurance and other kinds of RMB or foreign-currency insurance business; reinsurance business in relation to the above-mentioned business; service and consulting in relation to property insurance, accident insurance and short-term health insurance and their reinsurance; business handling on behalf of insurers; investment and fund utilization business permitted by national laws and regulations, and other business prescribed by national laws and regulations or approved by China's insurance regulatory authority.

7.3.3.4 Beijing Infrastructure Investment Co., Ltd.

Founded in 2003, Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned company of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. Its unified social credit code is 911100001011241849. Its registered capital is RMB173,159.47 million. Business scope: manufacturing of subway vehicles and subway equipment; management and investment of state-owned assets as authorized, and planning and construction of new subway lines; operation and management of completed subway lines; import and export business of various commodities and technologies on proprietary or agent basis, except for commodities and technologies that are restricted or banned from operation by the state; design and repair of subway vehicles; design and installation of subway equipment; project supervision; property management; real estate development; subway ad design and production.

7.3.4 Other substantial shareholders

As prescribed by the former CBRC's *Interim Measures for the Equity Management of Commercial Banks*, other substantial shareholders of the Company included Yunnan Hehe (Group) Co., Ltd. and Runhua Group Co., Ltd. as at the end of the reporting period.

Yunnan Hehe (Group) Co., Ltd. held 3.52% shares of the Company and appointed a supervisor representing shareholder to the Company. It had a registered capital of RMB6 billion and its legal representative was Bi Fenglin. Hongta Tobacco (Group) Co., Ltd. holds 75% of Yunnan Hehe (Group) Co., Ltd. It is the controlling shareholder of the latter and its de facto controller is China Tobacco. Hongta Tobacco (Group) Co., Ltd. was incorporated on 15 September 1995, with a registered capital of RMB6 billion and its legal representative is Wang Yong.

Runhua Group Co., Ltd. held 1.72% of shares in the Company and appointed a supervisor representing shareholder to the Company. It had a registered capital of RMB109 million and its legal representative was Luan Tao. Luan Tao holds 53.6% shares of Runhua Group Co., Ltd. and serves as its controlling shareholder and de facto controller.

7.3.5 Special explanation on the Company without controlling shareholder

The Company has no controlling shareholder. Shougang Group is the largest shareholder of the Company.

7.3.6 Special explanation on the Company without de facto controller

The Company has no de facto controller. Shougang Group is the largest shareholder of the Company.

7.4 SHARE REPURCHASES

Not applicable.

SECTION VIII PREFERENCE SHARES

8.1 ISSUANCE AND LISTING OF PREFERENCE SHARES

(Unit: 10,000 shares)

Preference share code	Preference share name	Date of issuance	Issuance price (RMB yuan)	Coupon rate (%)	Number of shares	Date of listing	Number of shares listed for trading	Date of de-listing
360020	华夏优 1	23 March 2016	100	4.68	20,000	20 April 2016	20,000	28 March 2023

Note:

1. According to the *Reply of CBRC on the Non-public Issuance of Preference Shares and the Modification of the Articles of Association by Hua Xia Bank* (Y.J.F. [2015] No. 427) and the *Reply on Approving the Non-public Issuance of Preference Shares by Hua Xia Bank Co., Limited* (ZH. J.X.K. [2016] No. 342), the Bank issued 200 million preference shares in a non-public manner on 23 March 2016 and started transferring them on the comprehensive business platform of Shanghai Stock Exchange since 20 April 2016.

2. The coupon rate of Hua Xia Preference Share 1 in the first five years was 4.20%, including the arithmetic mean (2.59%) of the five-year T-bonds 20 trading days before the cut-off date of payment for the preference shares issued this time (the date just 20 trading days before the cut-off date of payment was excluded) and the fixed premium (1.61%). The coupon rate was adjusted once every five years in light of the change in benchmark interest rates. On 28 March 2021, the coupon rate of Hua Xia Preference Share 1 was adjusted and the coupon rate for the second five-year period was 4.68%, including the arithmetic mean (3.07%) of the five-year T-bond yield 20 trading days before the date of adjustment (exclusive of the date of adjustment) and the fixed premium (1.61%).

3. Use of Proceeds: As approved by CSRC, the Company privately issued 200 million preference shares at a par value of RMB100 each on 23 March 2016. All the money actually raised after deducting the issuing expenses, netted to RMB19.978 billion, were used to replenish the tier 1 capital.

4. The Company redeemed all the preference shares issued in this offering on 28 March 2023. Please refer to the announcements disclosed by the Company on the website of Shanghai Stock Exchange and the website of the Company for details on the redemption.

8.2 NUMBER OF PREFERENCE SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING OF THE TOP 10 PREFERENCE SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

(Unit: share)

Total number of preference shareholders as at the end of the reporting period		Total number of preference shareholders at the end of the month immediately before the disclosure date of this Annual Report					
23		0					
Particulars of shareholding of the top 10 preference shareholders							
Name of shareholder	Shares held at the end of the period	Increase/decrease during the reporting period	Percentage (%)	Nature of shareholder	Number of pledged or locked-up shares	Class of shares	
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary insurance product	58,600,000	0	29.30	Others	None	Preference shares	
Ping An Life Insurance Company of China, Ltd. – Universal – Universal personal insurance product	39,100,000	0	19.55	Others	None	Preference shares	
Ping An Life Insurance Company of China, Ltd. – Participating – Participating personal insurance product	39,100,000	0	19.55	Others	None	Preference shares	
BOCOM Schroder AMC – BOCOM – BOCOM Schroder AMC Zhuoyuan No. 2 Collective Asset Management Plan	11,180,000	0	5.59	Others	None	Preference shares	
Everbright Securities AMC – Everbright Bank – Everbright Securities AMC Xinyou No. 3 Collective Asset Management Plan	8,600,000	0	4.30	Others	None	Preference shares	
Bank of Beijing Scotiabank Asset Management – Bank of Beijing Co., Ltd. – Hua Xia Bank Co., Limited – Bank of Beijing Scotiabank Fengze No. 22 Asset Management Plan	8,400,000	0	4.20	Others	None	Preference shares	
Jiangsu International Trust Co., Ltd. – Jiangsu Trust – Hexiang Tianli No.1 Collective Fund Trust Plan	6,760,000	0	3.38	Others	None	Preference shares	
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Assets Management Plan	5,600,000	0	2.80	Others	None	Preference shares	
AVIC Trust Co., Ltd. – AVIC Trust • Tianji • Win-Win No.2 Securities Investment Collective Trust Plan	5,600,000	5,600,000	2.80	Others	None	Preference shares	
Postal Savings Bank of China Co., Ltd.	3,300,000	0	1.65	Others	None	Preference shares	
Remarks on connected relations or concerted action among top 10 preference shareholders and among the aforementioned shareholders and top 10 ordinary shareholders	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary insurance product, Ping An Life Insurance Company of China, Ltd. – Universal – Universal personal insurance product and Ping An Life Insurance Company of China, Ltd. – Participating – Participating personal insurance product are related parties.						

8.3 DISTRIBUTION OF PROFIT FROM PREFERENCE SHARES

Dividends on the preference shares issued by the Bank are paid annually in cash in a non-cumulative way. After receiving dividends at the agreed-upon coupon rate, preference shareholders of the Company will not join ordinary shareholders in the distribution of remaining profit.

On 28 March 2023, the Company paid dividends to all the holders of Hua Xia Preference Share 1 (Stock Code: 360020) that were registered by the closure of market on 27 March 2023. A cash dividend of RMB4.68 (before tax) was paid per preference share at the coupon rate of 4.68% and the dividends distributed this time totaled to RMB936 million (before tax).

Please refer to the announcements disclosed by the Company on the website of Shanghai Stock Exchange and the website of the Company for details on the dividend payment.

8.4 REDEMPTION OR CONVERSION OF PREFERENCE SHARES DURING THE REPORTING PERIOD

(Unit: 10,000 shares)

Preference share code	Preference share name	Repurchase period	Repurchase price	Pricing principle	Repurchase volume	Percentage (%)	Total repurchase amount	Sources of funds	Term of share repurchase	Party exercising the repurchase option
360020	Hua Xia Preference Share 1	28 March 2023	RMB104.68/share	Face value plus preference share dividend declared but not paid for the period	20,000	100.00	RMB20.936 billion	Own funds	N/A	The Company
Impact on equity structure of the Company	As of the disclosure date of this Report, the total number of preference shares changed from 200 million to zero.									
Preference share repurchase review procedure	On 12 May 2015, the 2014 Annual General Meeting of the Company reviewed and approved the <i>Proposal on the Plan for Non-public Offering of Preference Shares</i> , which authorized the Board of Directors of the Company to decide on the redemption of the preference shares according to regulatory requirements, market conditions and other factors, and to handle all matters related to the redemption upon approval by CBIRC. On 29 December 2022, the Company held the 30th meeting of the eighth Board of Directors. The <i>Proposal on Exercise of the Right to Redeem Preference Shares</i> was reviewed and approved at the meeting. Independent directors issued an independent opinion of consent. The Company received a reply from CBIRC affirming the redemption of preference shares by the Company.									

8.5 RESTORATION OF VOTING RIGHTS OF PREFERENCE SHARES DURING THE REPORTING PERIOD

During the reporting period, the Bank did not convert or restore any voting right of preference shares.

8.6 ACCOUNTING POLICY ADOPTED FOR PREFERENCE SHARES AND RATIONALE

According to the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the *Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments* and the *Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment* promulgated by MOF as well as the preference share issuing plan, preference shares issued by the Bank this time meet the requirements for accounting treatment as equity instruments and, therefore, are calculated as equity instruments.

Upon the approval of CBIRC, all or part of the preference shares issued by the Company this time and still in existence will be converted into ordinary shares of the Company upon the occurrence of the following events that will trigger mandatory conversion of shares to the Company: (1) when core tier 1 capital adequacy ratio of the Company falls to 5.125% or below, the Company shall have the right to convert all or part of the preference shares that have been issued and are still in existence into ordinary shares as per the total par value without the prior consent of preference shareholders, in order to restore the core tier 1 capital adequacy ratio of the Company to above 5.125%; (2) when the trigger event of tier 2 capital instruments takes place, the Company is entitled to convert all the existing preference shares issued this time to ordinary shares based on the total par value at that time without the approval of preference shareholders.

When the triggers for compulsory share conversion are met, the preference shares that are still in existence will be wholly or partially converted into ordinary shares at a price of RMB14.00 per share subject to the approval of regulatory authority. As approved by CSRC, the Company issued 527,704,485 ordinary shares in a non-public offering on 18 October 2022. Calculated by the mandatory conversion price adjustment formula as set out in the related articles of the *Prospectus for Non-public Issuance of Preference Shares by Hua Xia Bank Co., Limited*, the mandatory conversion price of shares was adjusted into RMB11.28/share upon the completion of the non-public offering of ordinary shares. From the day when the Board of Directors of the Company approved the preference share issuing plan, the Company will change the price of mandatory share conversion and disclose relevant information according to pertinent provisions whenever shares of the Company change due to distribution of stock dividend, share conversion to strengthen capital base and additional issuance (excluding share capital increase due to conversion of financing instruments issued by the Company and with articles allowing conversion into ordinary shares, e.g. preference share and convertible corporate bond) and rights issue.

SECTION IX FINANCIAL STATEMENTS

9.1 AUDITOR'S REPORT

9.2 AUDITED FINANCIAL STATEMENTS

9.3 NOTES TO THE FINANCIAL STATEMENTS

9.4 UNAUDITED SUPPLEMENTARY INFORMATION

Chairman: Li Minji

Board of Directors of Hua Xia Bank Co., Limited

26 April 2023

WRITTEN CONFIRMATION OF 2022 ANNUAL REPORT BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF HUA XIA BANK CO., LIMITED

In accordance with relevant provisions and requirements of the *Securities Law* and the *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (Revision in 2021)*, we, as directors, supervisors and senior management members of Hua Xia Bank Co., Limited, have fully read and examined the 2022 Annual Report of the Company and its Summary and hereby give the following opinion:

The Company operated in strict accordance with the *Accounting Standards for Business Enterprises* and the guidelines for its application, and the 2022 Annual Report of the Company and its Summary fairly present the financial position and operating conditions of the Company for the reporting year.

The 2022 financial statements of the Company have been audited.

We hereby guarantee that the 2022 Annual Report of the Company and its Summary were prepared and reviewed according to procedures that conform to laws, regulations, supervisory rules and the articles of association and internal management policies of the Company, disclose authentic, accurate and complete information and contain no false records, misleading statements or major omissions, and agree to be individually and jointly responsible for the authenticity, accuracy and completeness of their contents.

26 April 2023

Name	Position	Signatures
Li Minji	Chairman of the Board of Directors, Executive Director	
Wang Hongjun	Vice Chairman of the Board of Directors, Non-executive Director	
Guan Wenjie	Executive Director, President	
Wang Yiping	Executive Directors, Vice President	
Song Jiqing	Executive Director, Secretary to the Board	
Cai Zhiwei	Non-executive Director	
Ma Xiaoyan	Non-executive Director	
Zeng Beichuan	Non-executive Director	
Guan Jifa	Non-executive Director	
Zou Libin	Non-executive Director	

Name	Position	Signatures
Ding Yi	Independent Director	
Zhao Hong	Independent Director	
Guo Qingwang	Independent Director	
Gong Zhiqiang	Independent Director	
Lv Wendong	Independent Director	
Chen Shenghua	Independent Director	
Cheng Xinsheng	Independent Director	
Wang Minglan	Chairman of the Board of Supervisors, Employee Supervisor	
Deng Kang	Supervisor Representing Shareholder	
Ding Zhaohua	Supervisor Representing Shareholder	
Zhu Xiaofang	External Supervisor	
Zhao Xijun	External Supervisor	
Guo Tianyong	External Supervisor	
Zhang Hong	External Supervisor	
Zhu Jiang	Employee Supervisor	
Xu Xinming	Employee Supervisor	
Yang Wei	Vice President	
Liu Ruijia	Vice President	
Wang Xingguo	Principal of Financial Affairs	

AUDITOR'S REPORT

AUDITOR'S REPORT

Ernst & Young Hua Ming (2023) Shen Zi No.60466757_A01

Hua Xia Bank Co., Limited

To the shareholders of Hua Xia Bank Co., Limited,

I. AUDIT OPINION

We have audited the financial statements of Hua Xia Bank Co., Limited (the "Bank") and its subsidiaries (collectively the "Group"), which comprise balance sheet as at 31 December 2022 and income statement, statement of changes in equity and statement of cash flows of the Group and the Bank for the year then ended and notes to these Financial Statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Bank's financial position as at 31 December 2022, and the consolidated and the Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. BASIS FOR AUDIT OPINION

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

III. KEY AUDIT ISSUES

Key audit issues are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current year. These issues are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these issues. We also describe how to address each issue in our audit in that context.

We have fulfilled our responsibilities described in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of this report, including responsibilities related to these key audit issues. Accordingly, our audit work includes implementing the audit procedures designed to address the risk of material misstatements in assessed financial statements. The results of our implementation of audit procedures include the procedures implemented to address the following key audit issues, laying the foundation for giving an audit opinion on the financial statements as a whole.

AUDITOR'S REPORT (CONTINUED)

Ernst & Young Hua Ming (2023) Shen Zi No.60466757_A01

Hua Xia Bank Co., Limited

III. KEY AUDIT ISSUES (CONTINUED)

Key audit issue	How to address the issue in audit
Allowance for impairment losses on loans and advances to customers	
<p>The Group used a number of models and assumptions in the measurement of expected credit loss (ECL). For example:</p> <ul style="list-style-type: none">• Significant increase in credit risk – the determination of significant increase in credit risk depends highly on judgment, which may have a major effect on the ECL of loans with a long residual life;• Models and parameters – the models used to measure the ECL are highly complicated, with many model parameter inputs and also many judgments and assumptions involved in the estimation of parameters;• Forward-looking information – the impact of macro-economic forecasts based on expert judgments on the ECL, taking into account the weights of different economic scenarios;• Individual assessment for impairment – a number of factors are considered in determination of credit impairment, and the ECL measurement depends on the estimation of expected future cash flows. <p>As loan impairment assessment involves many major judgments and assumptions with significant amounts (at 31 December 2022, the loans and advances to customers totaled RMB2,281,352 million, accounting for 58.49% for total assets; allowance for loan impairment losses totaled RMB63,744 million), we regard them as a key audit issue.</p> <p>For relevant disclosures, please see Notes IX-8, V-3, VIII-6 and XIV-3 to the consolidated financial statements.</p>	<p>We have assessed and tested the effectiveness of the design and implementation of key controls related to loan approval, post-lending management, credit rating, collateral management and loan impairment testing, including related data quality and information systems.</p> <p>We have selected samples to carry out the credit review procedure using a risk-oriented sampling method. We analyzed the debtors' ability to pay and the Group's judgments on loan classification based on the post-lending survey report, the debtors' financial information, the collateral valuation report and other available information.</p> <p>With the assistance from internal credit risk model experts, we have assessed and tested the important parameters of the expected credit loss (ECL) models, significant judgments of the management and the application of related assumptions, with a focus on the following aspects:</p> <ol style="list-style-type: none">1. ECL models:<ul style="list-style-type: none">• Assessing the methodologies of ECL models and related parameters, including probability of default, loss given default, risk exposure and significant increase in credit risk, taking into account macroeconomic changes;• Assessing the forward-looking information used by the management in determining the ECL, including the forecast of macroeconomic variables and assumptions regarding multiple macro scenarios;• Assessing the management's determination on whether credit impairment has occurred and, for impaired loans and advances to customers, assessing the calculation logic for the loss given default, especially the recoverable amount of collateral.2. Effectiveness of design and implementation of key controls:<ul style="list-style-type: none">• Assessing and testing the data and key controls used to confirm the allowance for ECL, including loan data, internal credit rating data and macroeconomic data, as well as the calculation logic, data inputs and system interface of the impairment system;• Assessing and testing the key controls of ECL models, including model change approval, ongoing monitoring of model performance, model validation and parameter calibration. <p>We have assessed and tested the effectiveness of the design and implementation of controls for disclosures related to the Group's credit exposure and ECL.</p>

AUDITOR'S REPORT (CONTINUED)

Ernst & Young Hua Ming (2023) Shen Zi No.60466757_A01

Hua Xia Bank Co., Limited

III. KEY AUDIT ISSUES (CONTINUED)

Key audit issue	How to respond to the issues in audit
Consolidation of structured entities	
<p>In the process of financial investment, asset management, credit asset transfer and other business activities, the Group holds interests in many different structured entities, such as wealth management products, funds and trust plans. The Group should comprehensively consider the power it owns, the variable returns it is entitled to and the relationship in between and judge whether the Group has control over each structured entity so that it should be included in the consolidated financial statements.</p> <p>In analyzing whether it has control over a structured entities, the Group should consider a number of factors, including the purpose of setting up the structured entity, the ability of the Group to direct its relevant activities, the interests held directly or indirectly and returns thereon, the management performance rewards received and the rewards or losses incurred by providing credit enhancement or liquidity support. The comprehensive analysis of such factors and the conclusion on control involve significant estimates and judgments of the management. Given the significance of the matter and the complexity of the management's judgments, we regard it as a key audit issue.</p> <p>For relevant disclosures, please see Notes V-4 and XIII to the consolidated financial statements.</p>	<p>We have assessed and tested the effectiveness of design and implementation of key controls related to the control or non-control over structured entities.</p> <p>We have assessed the Group's analysis and conclusion on whether it controls structured entities based on the Group's power over structured entities and analysis on the magnitude and variability of the variable returns on structured entities. We have also examined relevant contract documents to analyze whether the Group has the statutory or constructive obligation to ultimately assume the risk loss of structured entities and examined whether the Group has provided any liquidity support or credit enhancement to the structured entities sponsored by it.</p> <p>We have assessed and tested the effectiveness of the Group's design and implementation of controls for disclosures related to structured entities not included in the scope of consolidation.</p>

IV. OTHER INFORMATION

The senior management of the Bank shall be liable for other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S REPORT (CONTINUED)

Ernst & Young Hua Ming (2023) Shen Zi No.60466757_A01

Hua Xia Bank Co., Limited

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally 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 the financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our auditing opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern 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 Bank'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (CONTINUED)

Ernst & Young Hua Ming (2023) Shen Zi No.60466757_A01

Hua Xia Bank Co., Limited

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

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

We also provide the governance body with a statement that we have complied with relevant ethical requirements regarding independence and will communicate with the body all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the governance body, we determine those matters that are of the most significance in the audit of the financial statements of the current period and are therefore the key audit issues. We describe these issues in our auditor's report unless law or regulation precludes public disclosure about the issues or when, in extremely rare circumstances, we determine that an issue 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.

Ernst & Young Hua Ming LLP

Chinese Certified
Public Accountant

Zhang Fan
(Engagement Partner)

Chinese Certified
Public Accountant

Sun Lingling

Beijing, China

26 April 2023

BALANCE SHEET OF THE GROUP AND THE BANK

31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Assets					
Cash on hand and balances with central banks	1	175,383	186,174	175,037	185,839
Due from banks	2	18,277	17,703	17,859	17,680
Placements with banks and other financial institutions	3	57,234	83,263	63,234	91,772
Derivative financial assets	4	7,505	8,199	7,505	8,199
Financial assets purchased under agreements to resell	5	58,442	18,390	58,442	12,611
Loans and advances to customers	6	2,217,691	2,162,966	2,106,464	2,043,989
Financial investments					
Held-for-trading financial assets	7	359,584	234,757	357,896	233,267
Debt investments	8	680,111	718,266	677,795	715,904
Other debt investments	9	248,105	196,272	245,922	194,698
Other equity instrument investments	10	7,131	6,924	6,726	6,605
Long-term equity investments	11	-	-	8,090	8,090
Fixed assets	12	27,230	13,825	14,456	13,501
Right-of-use assets	13	6,095	6,352	5,925	6,129
Intangible assets	14	1,771	94	1,737	71
Deferred income tax assets	15	12,838	10,169	11,658	9,217
Other assets	16	22,770	12,933	11,979	10,049
Total assets		3,900,167	3,676,287	3,770,725	3,557,621

BALANCE SHEET OF THE GROUP AND THE BANK (CONTINUED)

31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities					
Due to central banks	18	100,836	149,714	100,835	149,677
Due to banks and other financial institutions	19	559,957	542,028	566,361	542,185
Placements from banks and other financial institutions	20	166,842	113,916	58,050	21,150
Financial liabilities for trading		–	206	–	206
Derivative financial assets	4	6,359	7,882	6,359	7,882
Financial assets sold under agreements to repurchase	21	73,631	46,511	73,631	46,511
Deposits taken	22	2,094,669	1,927,349	2,092,445	1,925,187
Accrued payroll	23	7,060	6,994	6,792	6,813
Taxes and dues payable	24	8,017	7,613	7,519	7,108
Lease liabilities	25	5,982	6,053	5,815	5,835
Debt obligations payable	26	530,397	547,248	524,264	538,544
Projected liabilities	27	2,451	2,355	2,444	2,338
Other liabilities	28	20,644	17,716	14,704	11,913
Total liabilities		3,576,845	3,375,585	3,459,219	3,265,349
Interests					
Share capital	29	15,915	15,387	15,915	15,387
Other equity instruments	30	59,971	59,971	59,971	59,971
Of which: Preference shares		19,978	19,978	19,978	19,978
Perpetual bonds		39,993	39,993	39,993	39,993
Capital reserve	31	60,759	53,292	60,758	53,291
Other comprehensive income	44	(1,581)	833	(1,574)	833
Surplus reserve	32	21,909	19,747	21,909	19,747
General risk reserve	33	47,124	43,631	44,737	42,104
Retained profit	34	116,360	105,431	109,790	100,939
Total equity attributable to shareholders of the parent company		320,457	298,292	311,506	292,272
Minority entity		2,865	2,410	–	–
Total shareholders' equity		323,322	300,702	311,506	292,272
Total liabilities and equity		3,900,167	3,676,287	3,770,725	3,557,621

The accompanying notes are an integral part of these financial statements

The financial statements on pages 129-265 are signed by:

Legal representative	President	Principal of Financial Affairs	Seal
Li Minji	Guan Wenjie	Wang Xingguo	

INCOME STATEMENT OF THE GROUP AND THE BANK

2022

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		2022	2021	2022	2021
I. Operating income		93,808	95,870	87,773	90,504
Net non-interest income	35	74,293	79,605	70,134	74,780
Interest income		151,315	152,841	144,187	144,822
Interest expense		(77,022)	(73,236)	(74,053)	(70,042)
Net fee and commission income	36	10,369	9,252	8,988	8,791
Fee and commission income		14,309	13,388	13,231	13,294
Fee and commission expenses		(3,940)	(4,136)	(4,243)	(4,503)
Investment loss/(gain)	37	6,247	4,068	6,213	4,040
Of which: Gains on derecognition of financial assets measured at amortized cost		13	4	13	4
Gains on changes in fair value	38	2,161	2,410	2,170	2,403
Exchange gains	39	144	325	144	325
Other operating income		546	169	99	150
Profit/loss from the disposal of assets		(3)	(8)	(3)	(8)
Other income		51	49	28	23
II. Operating expenses		(60,113)	(64,332)	(58,181)	(61,675)
Tax and surcharges	40	(1,053)	(1,028)	(997)	(987)
General and administrative expenses	41	(28,264)	(27,863)	(27,454)	(27,188)
Impairment losses on credit	42	(30,733)	(35,198)	(29,677)	(33,281)
Other impairment losses on assets		(36)	(178)	(28)	(177)
Other business costs		(27)	(65)	(25)	(42)
III. Operating profit		33,695	31,538	29,592	28,829
Plus: Non-operating income		203	175	198	152
Less: Non-operating expenses		(315)	(220)	(311)	(220)
IV. Total profit		33,583	31,493	29,479	28,761
Less: Income tax expense	43	(8,093)	(7,590)	(7,382)	(7,138)
V. Net profit		25,490	23,903	22,097	21,623
i. Classified by operational continuity					
1. Net profit from continuous operation		25,490	23,903	22,097	21,623
2. Net profit from ceased operation		-	-	-	-
ii. Classified by ownership affiliation					
1. Net profit attributable to shareholders of the parent company		25,035	23,535	22,097	21,623
2. Minority shareholders' gains/losses		455	368	-	-
VI. After-tax other comprehensive income	44	(2,788)	1,556	(2,781)	1,548
i. Other comprehensive income not to be classified as profit/loss		(689)	(126)	(686)	(133)
1. Changes in fair value of other equity instrument investments		(689)	(126)	(686)	(133)
ii. Other comprehensive income to be classified as profit/loss		(2,099)	1,682	(2,095)	1,681
1. Change in fair value of financial assets measured at fair value through other comprehensive income		(1,791)	1,593	(1,787)	1,592
2. Change in fair value of allowances for credit losses on investment in financial assets measured at fair value through other comprehensive income		(297)	83	(297)	83
3. Difference from foreign currency translation		(11)	6	(11)	6
After-tax other comprehensive income attributable to shareholders of the parent company		(2,788)	1,556	(2,781)	1,548
After-tax other comprehensive income attributable to minority shareholders		-	-	-	-
VII. Total Comprehensive Income		22,702	25,459	19,316	23,171
Total comprehensive income attributable to shareholders of the parent company		22,247	25,091	19,316	23,171
Total comprehensive income attributable to minority shareholders		455	368	-	-
VIII. Earnings per share					
Basic earnings per share (RMB yuan)	45	1.43	1.35		

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS OF THE GROUP AND THE BANK

2022

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		2022	2021	2022	2021
Cash flows from operating activities					
Net increase in customer deposits and due to banks and other financial institutions		177,800	192,307	184,000	187,945
Net decrease in balances with central banks and due from banks and other financial institutions		-	5,157	-	4,839
Net increase in placements from banks and other financial institutions and financial assets purchased under agreements to resell		79,567	2,437	63,574	-
Net decrease in placements with banks and other financial institutions and financial assets purchased under agreements to resell		9,868	-	12,367	-
Net increase in business debt obligations payable		-	10,121	-	10,121
Net increase in due to central banks		-	18,440	-	18,500
Proceeds from interest and fee & commission		133,386	133,838	125,385	125,871
Other proceeds received related to operating activities		5,246	5,714	4,310	5,665
Sub-total of cash inflows from operating activities		405,867	368,014	389,636	352,941
Net increase in loans and advances to customers		(82,481)	(127,409)	(89,298)	(117,832)
Net increase in balances with central banks and due from banks and other financial institutions		(3,796)	-	(1,163)	-
Net decrease in placements from banks and other financial institutions and financial assets purchased under agreements to resell		-	-	-	(195)
Net increase in placements with banks and other financial institutions and financial assets purchased under agreements to resell		-	(49,873)	-	(58,373)
Net decrease in due to central banks		(48,053)	-	(48,017)	-
Net increase in held-for-trading financial assets		(34,498)	(12,293)	(34,535)	(12,014)
Net decrease in business debt obligations payable		(44,396)	-	(44,396)	-
Cash paid as interest and fee & commission expenses		(67,813)	(67,137)	(65,426)	(64,535)
Cash paid to and for employees		(15,603)	(15,700)	(15,115)	(15,209)
Taxes and dues paid		(18,197)	(16,163)	(17,191)	(15,464)
Other cash paid related to operating activities		(12,055)	(8,424)	(10,136)	(6,509)
Sub-total of cash outflows from operating activities		(326,892)	(296,999)	(325,277)	(290,131)
Net cash flows from operating activities	47	78,975	71,015	64,359	62,810
Cash flows from investing activities					
Proceeds from disposal of investments		869,518	642,617	870,509	640,971
Investment gains received		40,800	38,847	40,621	38,732
Net gains on disposal of fixed assets, intangible assets and other long-term assets		29	348	22	59
Sub-total of cash inflows from investing activities		910,347	681,812	911,152	679,762
Acquisition of investments		(974,723)	(783,881)	(974,723)	(779,153)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(21,954)	(1,652)	(5,156)	(1,065)
Sub-total of cash outflows from investing activities		(996,677)	(785,533)	(979,879)	(780,218)
Net cash flows from investing activities		(86,330)	(103,721)	(68,727)	(100,456)

STATEMENT OF CASH FLOWS OF THE GROUP AND THE BANK (CONTINUED)

2022

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		2022	2021	2022	2021
Cash flows from financing activities					
Proceeds from disposal of investments		7,995	-	7,995	-
Proceeds from issuance of bonds		60,000	71,000	60,000	67,000
Sub-total of cash inflows from financing activities		67,995	71,000	67,995	67,000
Cash paid for debt repayment		(32,500)	(45,500)	(30,000)	(43,000)
Cash paid for dividends and profit distribution or interest repayment		(13,979)	(12,719)	(13,675)	(12,453)
Cash payments for principal and interest on lease liabilities		(2,008)	(2,331)	(1,940)	(2,263)
Sub-total of cash outflows from financing activities		(48,487)	(60,550)	(45,615)	(57,716)
Net cash flows from financing activities		19,508	10,450	22,380	9,284
Effect of exchange rate changes on cash and cash equivalents		925	(479)	925	(479)
Net change of cash and cash equivalents	47	13,078	(22,735)	18,937	(28,841)
Plus: Opening balance of cash and cash equivalents		74,629	97,364	68,156	96,997
Closing balance of cash and cash equivalents	46	87,707	74,629	87,093	68,156

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January to 31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Other equity instruments	Capital reserve	Equity attributable to shareholders of the parent company					Minority entity	Total
					Other comprehensive income	Surplus reserve	General risk reserve	Retained profit	Sub-total		
I. Balance as at 1 January 2022		15,387	59,971	53,292	833	19,747	43,631	105,431	288,292	2,410	300,702
II. Changes during the year											
i. Net profit		-	-	-	-	-	-	25,035	25,035	455	25,490
ii. Other comprehensive income	44	-	-	-	(2,788)	-	-	-	(2,788)	-	(2,788)
Subtotal of the above i and ii		-	-	-	(2,788)	-	-	25,035	22,247	455	22,702
iii. Shareholder's equity											
1. Shareholder's equity	29	528	-	7,467	-	-	-	-	7,995	-	7,995
iv. Profit distribution											
1. Surplus reserve withdrawn	34	-	-	-	-	2,162	-	(2,162)	-	-	-
2. General risk reserve allocated	34	-	-	-	-	-	3,493	(3,493)	-	-	-
3. Distribution of dividends on ordinary shares	34	-	-	-	-	-	-	(5,201)	(5,201)	-	(5,201)
4. Profit distribution to holders of other equity instruments	34	-	-	-	-	-	-	(2,876)	(2,876)	-	(2,876)
v. Internal transfer of owner's equity											
1. Other comprehensive income transferred to retained earnings	44	-	-	-	374	-	-	(374)	-	-	-
III. Balance as at 31 December 2022		15,915	59,971	60,759	(1,581)	21,909	47,124	116,360	320,457	2,865	323,322

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

1 January to 31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Other equity instruments	Capital reserve	Equity attributable to shareholders of the parent company					Sub-total	Minority entity	Total
					Other comprehensive income	Surplus reserve	General risk reserve	Retained profit				
I. Balance as at 1 January 2021		15,387	59,971	53,292	(714)	17,756	88,683	96,238	280,613	2,042	282,655	
II. Changes during the year												
i. Net profit		-	-	-	-	-	-	23,535	23,535	368	23,903	
ii. Other comprehensive income	44	-	-	-	1,556	-	-	-	1,556	-	1,556	
Subtotal of the above i and ii		-	-	-	1,556	-	-	23,535	25,091	368	25,459	
iii. Profit distribution												
1. Surplus reserve withdrawn	34	-	-	-	-	1,991	-	(1,991)	-	-	-	
2. General risk reserve allocated	34	-	-	-	-	-	4,948	(4,948)	-	-	-	
3. Distribution of dividends on ordinary shares	34	-	-	-	-	-	-	(4,632)	(4,632)	-	(4,632)	
4. Profit distribution to holders of other equity instruments	34	-	-	-	-	-	-	(2,780)	(2,780)	-	(2,780)	
iv. Internal transfer of owner's equity												
1. Other comprehensive income transferred to retained earnings	44	-	-	-	(9)	-	-	9	-	-	-	
III. Balance as at 31 December 2021		15,387	59,971	53,292	833	19,747	43,631	105,431	298,292	2,410	300,702	

The accompanying notes are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY

1 January to 31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Others Equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained profit	Total
I. Balance as at 1 January 2022		15,387	59,971	53,291	833	19,747	42,104	100,939	292,272
II. Changes during the year									
i. Net profit		-	-	-	-	-	-	22,097	22,097
ii. Other comprehensive income	44	-	-	-	(2,781)	-	-	-	(2,781)
Subtotal of the above i and ii		-	-	-	(2,781)	-	-	22,097	19,316
iii. Shareholder's equity									
1. Shareholder's equity	29	528	-	7,467	-	-	-	-	7,995
iv. Profit distribution									
1. Surplus reserve withdrawn	34	-	-	-	-	2,162	-	(2,162)	-
2. General risk reserve allocated	34	-	-	-	-	-	2,633	(2,633)	-
3. Distribution of dividends on ordinary shares	34	-	-	-	-	-	-	(5,201)	(5,201)
4. Profit distribution to holders of other equity instruments	34	-	-	-	-	-	-	(2,876)	(2,876)
v. Internal transfer of owner's equity									
1. Other comprehensive income transferred to retained earnings	44	-	-	-	374	-	-	(374)	-
III. Balance as at 31 December 2022		15,915	59,971	60,758	(1,574)	21,909	44,737	109,790	311,506

BANK STATEMENT OF CHANGES IN EQUITY (CONTINUED)

1 January to 31 December 2022

(In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Others Equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained profit	Total
I. Balance as at 1 January 2021		15,387	59,971	53,291	(706)	17,756	37,424	93,390	276,513
II. Changes during the year									
i. Net profit		-	-	-	-	-	-	21,623	21,623
ii. Other comprehensive income	44	-	-	-	1,548	-	-	-	1,548
Subtotal of the above i and ii		-	-	-	1,548	-	-	21,623	23,171
iii. Profit distribution									
1. Surplus reserve withdrawn	34	-	-	-	-	1,991	-	(1,991)	-
2. General risk reserve allocated	34	-	-	-	-	-	4,680	(4,680)	-
3. Distribution of dividends on ordinary shares	34	-	-	-	-	-	-	(4,632)	(4,632)
4. Profit distribution to holders of other equity instruments	34	-	-	-	-	-	-	(2,780)	(2,780)
iv. Internal transfer of owner's equity									
1. Other comprehensive income transferred to retained earnings	44	-	-	-	(9)	-	-	9	-
III. Balance as at 31 December 2021		15,387	59,971	53,291	833	19,747	42,104	100,939	292,272

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 January to 31 December 2022 (In RMB millions, unless otherwise stated)

I. PROFILE OF THE BANK

Hua Xia Bank Co., Limited (hereinafter “the Bank”), formerly known as Hua Xia Bank, was established as a nationwide commercial bank on 14 October 1992 with the approval of People’s Bank of China (“PBOC”). On 10 April 1996, Hua Xia Bank was approved by PBOC to be restructured as a joint-stock limited company by means of promoter incorporation, and then renamed as Hua Xia Bank Co., Limited. On 21 July 2003, the Bank obtained approval from China Securities Regulatory Commission (“CSRC”) for offering of A shares. On 12 September 2003, the Bank was listed.

The Bank held the License for Financial Business (No. B0008H111000001) upon approval by China Banking Regulatory Commission (“CBRC”) (now renamed into “China Banking and Insurance Regulatory Commission”, “the former CBRC” or “CBIRC”), and it acquired the Business License for Enterprises with a unified social credit code of 9111000010112001XW upon approval by the Beijing Administration for Industry and Commerce (now remained into “Beijing Municipal Administration for Market Regulation”).

As at 31 December 2022, in addition to the Head Office, the Bank had established 44 tier-1 branches in Chinese mainland, with outlets totaling 987.

The business scope of the Bank and its subsidiaries (collectively referred to as the “Group”) covers: public deposit-taking, granting of short, medium and long-term loans; domestic and international settlement, bill acceptance and discount, issuance of financial bonds, issuance, encashment and underwriting of government bonds as an agent, trading of government bonds and financial bonds, inter-bank lending and borrowing, trading of foreign exchange on its own behalf and as an agent, bank card service, provision of letter of credit and letter of guarantee, collection and payment service as an agent, safety box service, foreign exchange settlement and sale, sideline insurance agency, leasing service, wealth management and other services approved by CBIRC.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group follows the Accounting Standards for Business Enterprises and relevant rules (hereinafter referred to as “Accounting Standards for Business Enterprises”) promulgated by the Ministry of Finance of PRC (the “MOF”). Besides, the Group also discloses relevant financial information in accordance with the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Report* issued by CSRC.

Ongoing concern

The Group has assessed its ability to sustain ongoing operation over the 12 months since 31 December 2022, finding no issue or condition that incurs a material ongoing concern. Therefore, the financial statements are drafted on the assumption of ongoing operation.

III. DECLARATION ON COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements prepared by the Group truly and fairly represent the financial position of the Group and the Bank as at 31 December 2022, and the operating results, cash flows and equity changes of the Group and the Bank for the year then ended, in compliance with the Accounting Standards for Business Enterprises.

IV. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The accounting period of the Group begins on 1 January and ends on 31 December of the Gregorian calendar.

2. Bookkeeping base currency

Renminbi is the functional currency in the major economic environments of the operating activities of the Bank and its subsidiaries. The Bank and its subsidiaries take Renminbi as the bookkeeping base currency. The Bank and its subsidiaries adopt Renminbi in the preparation of these financial statements.

3. Basis of accounting and measurement

The Group's accounting is on an accrual basis. Except some financial instruments that are measured at fair value, these financial statements are measured on the basis of historical costs. In case of impairment losses on assets, corresponding allowance for impairment losses shall be set aside according to relevant rules.

Measured on the basis of historical costs, assets shall be measured at the amount of cash or cash equivalents paid for purchasing them or the fair value of the consideration received. Liabilities shall be measured at the proceeds or assets received upon the assumption of obligations, or the contractual amount received upon the assumption of obligations, or the amount of cash or cash equivalents expected to be paid for debt repayment in daily activities.

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements.

If the fair value of a financial asset is set at its transaction price upon initial recognition and subsequently measured using a valuation technique involving non-observable inputs, the valuation technique will be calibrated in the valuation process so that the initial recognition result determined by the valuation technique is equal to the transaction price.

Fair value is measured based on the observability of the input value of fair value and the overall importance of such input value to measurement of fair value, and divided into the following three levels:

The input value at Level 1 is the unadjusted quotation of the same assets or liabilities obtainable in the active market on the measurement date.

The input value at Level 2 is the directly or indirectly observable input value of related assets or liabilities other than the input value in Level 1.

The input value at Level 3 is the unobservable input value of related assets or liabilities.

4. Business combination

Business combination not under common control and goodwill

A business combination not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination.

Combination cost is the fair value of the assets paid, liabilities occurred or assumed and equity instruments issued by the buyer for acquiring the control right of the acquiree. The audit, legal service, valuation, advisory and other intermediary fees and other relevant administrative expenses incurred by the buyer for combination of businesses are recorded in profit or loss upon occurrence.

At the acquisition date, identifiable assets, liabilities or contingent liabilities of the acquiree acquired by the buyer in the business combination are measured at fair value.

For the balance between the combination cost and the fair value share of identifiable net assets of acquiree acquired during the business combination, it will be recognized into goodwill as an asset and initially measured at cost. If the combination cost is less than the fair value share of identifiable net assets of the acquiree acquired in the combination, the Group first reviews the fair value of acquired identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of combination cost. If the combination cost after review is still less than the fair value share of identifiable net assets of the acquiree acquired in the combination, it will be recorded in profit or loss.

Goodwill arising from business combination will be separately presented in the consolidated financial statements, and will be measured at the amount generated from the cost deducting accumulative allowance for impairment losses.

5. Preparation of consolidated financial statements

The consolidated scope of the consolidated financial statements shall be determined based on control. Control means that the Group has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee. Once the actors involved in the above definition of control change due to any changes in relevant facts and circumstances, the Group will conduct a re-assessment.

The combination of a subsidiary starts when the Group gains control over the subsidiary and ends when the Group loses control over the subsidiary.

For subsidiaries disposed of by the Group, operating results and cash flows prior to the disposal date (date of losing control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows.

For subsidiaries acquired by business combination under different control rights, operating results and cash flows as of the acquisition date (date of obtaining control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows, and the opening balance and comparison amount of the consolidated financial statements will not be adjusted.

The major accounting policies and accounting period adopted by subsidiaries shall be determined based on those uniformly prescribed by the Bank.

All material accounts and transactions between the Bank and a subsidiary and among subsidiaries shall be offset at the time of business combination.

The part of the owners' equity of the subsidiaries not attributable to the parent company will be recognized as minority interest and be presented as "minority interests" under the item "shareholders' equity" of the financial statements. The part of the current profit or loss of the subsidiaries recognized as minority interests shall be presented as "minority interests" under the "net profit" item in the consolidated income statement.

If the loss of a subsidiary borne by a minority shareholder exceeds its share of equity at the beginning of the period in this subsidiary, the balance will be written off against the minority interests.

6. Recognition of the cash and cash equivalents

Cash refers to the cash on hand and deposits available for payment at any time. Cash equivalents refer to short-term investments with high liquidity held by the Group which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

7. Foreign currency transactions

In the initial recognition of foreign currency transactions, the spot exchange rate on the transaction date shall be adopted. On the balance sheet date, foreign currency items shall be translated to RMB amounts by the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and that in the initial recognition or prior to the balance sheet date is recorded into current profit or loss, except the following circumstances: (1) the balance of exchange arising from foreign currency borrowings eligible for capitalization is recognized into cost of relevant assets after capitalization during the capitalization period; (2) balance of exchange arising from hedging instruments that are used to avoid foreign exchange risks will be treated by the accounting treatment to hedging; (3) balance of exchange arising from changes in book balance other than the amortized cost of monetary items measured at fair value through other comprehensive income is recognized as other comprehensive income.

The foreign currency-denominated non-monetary items measured at historical cost shall be recorded by the amount presented in the bookkeeping base currency converted by the spot exchange rate on the transaction date. Foreign currency-denominated non-monetary items measured at fair value shall be converted by the spot exchange rate on the determination date of fair value. The difference between the amount in the post-conversion bookkeeping base currency and that in the original bookkeeping base currency is recorded in current profit or loss or recognized as other comprehensive income as change in fair value (including change in exchange rate).

8. Financial instruments

A financial asset or financial liability is recognized when the Group becomes a party to a financial instrument contract.

For a financial asset purchased or sold in a regular manner, the asset to be received or liability to be assumed will be recognized at the transaction date or the sold asset will be derecognized at the transaction date.

A financial asset or liability is measured at fair value upon initial recognition. For financial assets and financial liabilities measured at fair value through profit or loss, the transaction costs thereof are directly recorded through profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included in the initially recognized amount.

Effective interest rate method is the method of calculating the amortized cost of a financial asset or financial liability and amortizing interest income/expenses over accounting periods.

Effective interest rate refers to the interest rate used when discounting the future cash flows of a financial asset or financial liability over its estimated lifetime into the book value of the financial asset or the amortized cost of the financial liability. Upon confirming the effective interest rate, the expected cash flow should be estimated based on the consideration of all contract terms of financial assets or financial liabilities (such as prepayment, extension, call option or other similar options), but the expected credit loss should not be considered.

The amortized cost of a financial asset or financial liability is calculated by deducting the repaid principal from the initially recognized amount of the financial asset or financial liability, then adding or subtracting the accumulated amortization amount generated by amortizing the difference between the initial recognition amount and the maturity-date amount using the effective interest rate method, and finally deducting the accumulated allowance for impairment losses (for the financial asset only).

8.1 Classification, recognition and measurement of financial assets

After initial recognition, the Group subsequently measures financial assets at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss as appropriate.

If the contractual terms of a financial asset give rise on specified dates to cash flows that were solely payments of principal and interest on the principal amounts outstanding and the financial asset is managed by the Group in a business model whose objective is achieved by collecting contractual cash flows, the financial asset will be classified as financial asset measured at amortized cost. These financial assets mainly include cash on hand and balances with central banks, due from banks, placements with banks and other financial institutions, financial assets purchased under agreements to resell, loans and advances to customers measured at amortized cost and debt investments.

If the contractual terms of a financial asset give rise on specified dates to cash flows that were solely payments of principal and interest on the principal amounts outstanding and the financial asset is managed by the Group in a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset, the financial asset will be classified as debt instrument investment measured at fair value through other comprehensive income.

Upon initial recognition, the Group may, based on a single financial asset, irrevocably designate equity instrument investments not held for trading as financial assets measured at fair value through other comprehensive income. Such financial assets are stated as other equity instrument investments.

If a financial asset meets any of the following conditions, the Group holds the financial asset for trading purposes:

- (1) The purpose of acquiring relevant financial assets is mainly for selling in a short term;
- (2) The financial asset is part of a recognizable financial instrument portfolio under centralized management upon initial recognition and there is objective evidence proving that there is a short-term profit-making method;
- (3) The financial asset is a derivative instrument, except for the derivative instrument that meets the definition of financial guarantee contract and is designated as effective hedging instrument.

Financial assets measured at fair value through profit or loss include financial assets classified as at fair value through profit or loss and financial assets designated at fair value through profit or loss:

- (1) Financial assets not eligible for classification as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss;
- (2) Upon initial recognition, to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate financial assets as measured at fair value through profit or loss.

Except for derivative financial assets, financial assets measured at fair value through profit or loss are stated as held-for-trading financial assets.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest rate method, and the gains or losses arising from impairment or derecognition are recorded through current profit or loss.

The Group recognizes interest income on financial assets measured at amortized cost using the effective interest rate method. The Group calculates and determines the interest income on a financial asset by multiplying its book balance by effective interest rate, unless in the following circumstances:

- (1) For a purchased or originated credit-impaired financial asset, the Group calculates and determines its interest income since initial recognition at the amortized cost of the financial asset and credit-adjusted effective interest rate.
- (2) For a purchased or originated non-credit-impaired financial asset that has become credit-impaired in subsequent periods, the Group calculates and determines its interest income during subsequent periods at the amortized cost of the financial asset and effective interest rate. If the financial instrument ceases to be credit-impaired in subsequent periods due to credit risk improvements that are linked to an event that occurs after application of the above provisions, the Group will shift to calculating and determining the interest income by multiplying the book value of the financial asset by effective interest rate.

Financial assets measured at fair value through other comprehensive income:

Impairment losses or gains on debt instrument investments measured at fair value through other comprehensive income, their interest income calculated using the effective interest rate method and their exchange gains are recorded through current profit or loss. Other changes in fair value of these financial assets are recorded through other comprehensive income. The amount of the financial asset stated in the profit or loss for each period is equal to that stated in profit or loss for each period as if it were always measured at amortized cost. Upon derecognition of the financial asset, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to current profit or loss.

Changes in the fair value of not-held-for-trading equity instrument investment designated at fair value through other comprehensive income are recognized in other comprehensive income. Upon derecognition of the financial asset, accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Group holds such not-held-for-trading equity instrument investments, dividend income is recognized and recorded in current profit or loss when the Group's right to dividend is established and the economic benefits related to the dividend in a reliably measurable amount is likely to flow into the Group.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from changes in fair value, as well as dividends and interest income relating to such financial assets will be recorded through current profit or loss.

8.2 Impairment of financial instruments

The Group accounts for impairment and recognizes allowance for impairment losses based on ECL for financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, financial lease receivables and loan commitments other than financial liabilities measured at fair value through profit or loss.

For other financial instruments, except for purchased or originated credit-impaired financial assets, the Group assesses the changes in credit risk of relevant financial instruments after initial recognition on each balance sheet date. If the financial instrument has had a significant increase in credit risk since initial recognition, the Group will measure the allowance for impairment losses on the financial instrument at an amount equal to its lifetime ECL. If the financial instrument has not had a significant increase in credit risk since initial recognition, the Group will measure the allowance for impairment losses on the financial instrument at an amount equal to its 12-month ECL. The increase or reversal of allowance for credit losses, except for debt instrument investments measured at fair value through other comprehensive income, is recorded into current profit or loss as impairment losses or gains. For a debt instrument investment measured at fair value through other comprehensive income, the Group recognizes its allowance for credit losses in other comprehensive income, and recorded the impairment losses or gains in current profit or loss without reducing book value of the financial asset listed in the balance sheet.

Where the Group measured the allowance for impairment losses on a financial instrument at an amount equal to its lifetime ECL during the previous accounting period but the financial instrument no longer has had a significant increase in credit risk since initial recognition on the current balance sheet date, the Group will measure the allowance for impairment losses on the financial instrument at an amount equal to its 12-month ECL on the current balance sheet date, and the resulting reversal of allowance for impairment losses will be recorded in current profit or loss as impairment gains.

8.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information that is available to determine whether a financial instrument has had a significant increase in credit risk since initial recognition by comparing the default risk of the financial instrument on the balance sheet date with the default risk at the initial recognition date. For loan commitments, the Group takes the date when the Group becomes the party making irrevocable commitments as the initial recognition date for applying the rules for impairment of financial instruments.

In assessing whether credit risk has increased significantly since initial recognition, the Group will compare the default risk of the financial instrument on the report date and its default risk upon initial recognition. In such assessment, the Group will consider reasonable and supportable quantitative and qualitative information, including historical experience and forward-looking information that is available without undue cost or effort. For the criteria for significant increase in credit risk, please see Note XIV-3.1 Credit Risk Management.

8.2.2 Credit-impaired financial assets

When the Group expects one or more events to occur that will have a detrimental impact on the future cash flows of a financial asset, the financial asset becomes a credit-impaired financial asset. Evidence that a financial asset is credit-impaired include observable information. Please see Note XIV-3.1 Credit Risk Management.

8.2.3 Determination of expected credit loss

ECL is measured based on probability of default, loss given default and exposure at default. For measurement and recognition of ECL, please see Note XIV-3.1 Credit Risk Management.

8.2.4 Write-down of financial assets

When the Group no longer reasonably expects the contractual cash flow of a financial asset to be fully or partially recovered, the book balance of the financial asset is directly written down. Such write-down of financial assets constitutes derecognition of financial assets.

8.3 Transfer of financial assets

Where a financial asset meets any of the following conditions, it will be derecognized:

- (1) Where the contractual rights for collecting cash flows of the said financial asset are terminated;
- (2) Where the financial asset has been transferred and nearly all of the risks and returns in connection with the ownership of the financial asset have been shifted to the transferee;
- (3) Where the financial asset has been transferred and the Group has not retained control over the financial asset, though it does not transfer or retain almost all of the risks and returns in connection with the ownership of the financial asset.

In case that the Group neither transfers nor retains almost all the risks and returns relevant to ownership of the financial asset and it does not waive control over the financial asset, it shall continue to recognize the transferred financial asset based on the degree of subsequent involvement and concurrently recognize relevant liabilities. The Group measures relevant liabilities as follows:

- (1) If the transferred financial asset is measured at amortized cost, the book value of the relevant liability is equal to the book value of the transferred financial asset with continuing involvement less the amortized cost of the rights retained by the Group (if the Group retains relevant rights due to the transfer of financial asset) and plus the amortized cost of the obligation assumed by the Group (if the Group assumes relevant obligation due to the transfer of financial asset). The relevant liability is not designated as the financial liability at fair value through profit or loss.
- (2) If the transferred financial asset is measured at fair value, the book value of the relevant liability is equal to the book value of the transferred financial asset with continuing involvement less the fair value of the rights retained by the Group (if the Group retains relevant rights due to the transfer of financial asset) and plus the fair value of the obligation assumed by the Group (if the Group assumes relevant obligation due to the transfer of financial asset). The fair value of such rights and obligations is the fair value when measured on an independent basis.

When a fully transferred financial asset meets derecognition conditions, the difference between (a) the book value of the transferred financial asset at derecognition date and (b) the sum of the consideration for the transferred financial asset and the corresponding derecognized part of the accumulated changes in fair value originally recorded into other comprehensive income will be recorded through profit or loss. If the financial asset transferred by the Group is not-held-for-trading equity instrument investment measured at fair value through other comprehensive income, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to retained earnings.

When the partially transferred financial asset meets the conditions for derecognition, the pre-transfer book value of the entire financial asset is apportioned between the derecognized part and still-recognized part at their respective fair value on the transfer date, and the difference between (a) the sum of the received consideration for the derecognized part and the corresponding derecognized part of the accumulated changes in fair value originally recorded into other comprehensive income and (b) the book value of the derecognized part on derecognition date will be recorded through profit or loss. If the financial asset transferred by the Group is not-held-for-trading equity instrument investment measured at fair value through other comprehensive income, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to retained earnings.

If the transfer of an entire financial asset does not meet derecognition conditions, the Group will continue to recognize the transferred financial asset in its entirety and recognize the received consideration as financial liability.

Asset securitization

As part of the operating activity, the Group securitizes credit assets in part generally by selling such assets to a structured entity, which then issues securities to investors. Interests in securitized financial assets are classified into senior asset-backed securities and junior asset-backed securities. After payment of relevant taxes and expenses, credit assets are first used to pay the principal and interest on senior asset-backed securities. The remaining credit assets after full payment of principal and interest are recognized as income from junior asset-backed securities.

In applying the accounting policy for a securitized financial asset, the Group has considered the degree of risk and return on the asset transferred to any other entity and the degree of control exercised by the Group over the entity:

- (1) When the Group has transferred substantially all the risk and return on the ownership of the financial asset, the Group derecognizes the financial asset;
- (2) When the Group retains substantially all the risk and return on the ownership of the financial asset, the Group continues to recognize the financial asset;
- (3) If the Group neither transfers nor retains substantially all the risk and return on the ownership of the financial asset, the Group considers whether it has controls over the financial asset or not. If the Group retains no control, the Group derecognizes the financial asset and recognizes the right and obligation generated or retained in the transfer as asset or liability respectively. If the Group retains control, the financial asset is recognized according to the degree of continuing involvement in the financial asset.

8.4 Classification of financial liabilities and equity instruments

The Group classifies the financial instruments or their components into financial liabilities or equity instruments in the initial recognition, based on contractual clauses regarding the financial instruments issued and their underlying economic substance instead of the legal form only, with reference to the definition of financial liability and equity instrument.

8.4.1 Classification, recognition and measurement of financial liabilities

In the initial recognition, financial liabilities are classified into financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include held-for-trading financial liabilities (including derivative instruments classified as financial liabilities) and those designated as financial liabilities measured at fair value through profit or loss. Except for derivative financial liabilities stated separately, financial liabilities measured at fair value through profit or loss are stated as held-for-trading financial liabilities.

If a financial liability meets any of the following conditions, the Group assumes the financial liability for trading purposes:

- (1) The purpose of assuming relevant financial assets is mainly for repurchase in a short term;
- (2) The financial liability is part of a recognizable financial instrument portfolio under centralized management upon initial recognition and there is objective evidence proving that there is a short-term profit-making method.
- (3) The financial asset is a derivative instrument, except for the derivative instrument that meets the definition of financial guarantee contract and is designated as effective hedging instrument.

The Group may designate a financial liability that meets any of the following conditions as a financial liability at fair value through profit or loss upon initial recognition:

- (1) Such designation can eliminate or significantly reduce accounting mismatch;
- (2) The official written documents of the risk management or investment strategy of the Group state that the said combination of financial assets, the said combination of financial liabilities, or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and will be reported to the key management personnel within the Group;
- (3) Hybrid contract that contains embedded derivative instruments is included if conditions are satisfied.

Held-for-trading financial liabilities are subsequently measured at fair value. The gain or loss on fair value changes and the dividend or interest expenses relating to such financial liability will be recorded in profit or loss.

Changes in fair value of a financial liability designated at fair value through profit or loss due to changes in the Group's own credit risk are recorded in other comprehensive income, and other changes in fair value are stated in profit or loss. Upon derecognition of a financial liability, the cumulative changes in its fair value resulting from changes in own credit risk and previously recognized as other comprehensive income are transferred to retained earnings. The dividend or interest expenses relating to such financial liability are recorded in profit or loss. If the treatment of the impact of changes in such financial liability's own credit risk using the above method will result in or expand the accounting mismatch in gain or loss, the Group will record all the gain or profit (including the amount of impact of own credit risk changes) of the financial liability in profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities arising from the ineligibility of financial assets for derecognition or continuing involvement in the transferred financial assets and loan commitments are classified as financial liabilities measured at amortized cost and subsequently measured at amortized cost, with the gains or losses on derecognition or amortization stated in profit or loss.

If the Group and the counterparty modifies or renegotiates the contract, which does not result in derecognition of the financial liability subsequently measured at amortized cost but results in changes in contractual cash flows, the Group recalculates the book value of the financial liability and records relevant gain or loss in profit or loss. The Group recalculates the carrying value of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the financial liability. Any costs or expenses arising from the modification or renegotiation of the contract adjust the book value of the modified financial liability and are amortized over the remaining term of modified financial liability.

Financial Guarantee Contracts and Loan commitments

Financial guarantee contract means a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. The financial guarantee contract that is not a financial liability designated at fair value through profit or loss or does not meet the derecognition conditions due to financial asset transfer or a financial liability resulting from continuing involvement in the transferred financial asset, and the commitment to provide loans at a below-market interest rate are measured after initial recognition at the higher of the amount of loss reserve and the initial recognition amount less the cumulative amortization determined pursuant to the income standards.

8.4.2 Derecognition of financial liabilities

A financial liability is derecognized in part or in whole when the current obligation of the financial liability is discharged in part or in whole. If the Group (borrower) signs an agreement with the lender to take a new financial liability instead of the original financial liability and the contract terms on the new and existing financial liabilities are materially different, the Group terminates the original financial liability and recognizes the new financial liability at the same time.

If a financial liability is derecognized in part or in whole, the difference between the book value and paid consideration (including non-cash asset transferred out or the new financial liability assumed) of the derecognized part is recorded in profit or loss.

8.4.3 Equity instruments

Equity instruments are contracts which can prove the Group's remaining equity of the assets after deducting all the liabilities. The Group treats the offering (including refinancing), repurchase, sale or deregistering of equity instruments as equity movements. It does not recognize the movements of equity instruments' fair value. The expenses in relation to equity trading are deducted from the equity.

The Group treats its distribution to equity instrument holders as distribution of profits, and the stock dividend issued does not affect the total equity.

8.5 Derivatives and embedded derivatives

Derivatives include forward foreign exchange, foreign currency swap, interest rate swap and option contracts. Derivatives are initially measured at fair value on the signing date of relevant contract, and subsequently measured at fair value.

In the case of a hybrid contract comprised of embedded derivatives and a host contract that is a financial asset, the Group will account for the hybrid contract in its entirety using the accounting standards for classification of financial assets other than separate the embedded derivatives from the hybrid contract.

If the hybrid contract includes a host contract that is not a financial asset and also meets the following conditions, the Group will separate the embedded derivatives from the hybrid contract and account for them as if they were stand-alone derivatives:

- (1) The economic characteristic and risk of the embedded derivatives are not closely related to the economic characteristic and risk of the host contract.
- (2) A stand-alone instrument with the same terms and conditions as the embedded derivatives meets the definition of derivatives.
- (3) The hybrid contract is not measured at fair value through profit or loss.

If the embedded derivatives are separated from the hybrid contract, the Group will account for the host contract of the hybrid contract in accordance with applicable accounting standards. If the Group cannot reliably measure the fair value of the embedded derivatives in accordance with the terms and conditions on embedded derivatives, the fair value of the embedded derivative instrument will be determined according to the difference between the fair value of hybrid contract and that of host contract. If the fair value of the embedded derivatives still cannot be separately measured on the acquisition date or subsequent balance sheet date after the above method is used, the Group will designate the hybrid contract in its entirety as a financial instrument measured at fair value through profit or loss.

8.6 Offset between financial assets and financial liabilities

Where the Group has a legally enforceable right to offset a recognized financial asset and a recognized financial liability and intends either to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously, the net value after offsetting the financial asset against the financial liability will be stated in the balance sheet. Otherwise, financial assets and financial liabilities shall be presented on the balance sheet separately, instead of offsetting with each other.

8.7 Hedge accounting

The Group designates some financial instruments as hedging tools to manage the risk exposure arising from specific risks. The Group uses the hedge accounting method to deal with the hedges that meet specified conditions. Hedge at the Group is fair value hedge.

At the beginning of hedge, the Group formally designates hedging instruments and hedged items and prepares written documents indicating hedging instruments, hedged items, nature of hedged risks and hedge effectiveness assessment methods (including cause analysis for invalid part of hedge and the method to determine hedge ratio).

The Group will cease to use hedge accounting under any of the following circumstances:

- (1) The hedge relationship no longer meets the changed risk management objectives.
- (2) The hedging instruments have expired or been sold or the contract has been terminated or exercised.
- (3) There is no longer any economic relationship between the hedged item and the hedging instrument, or the impact of credit risk starts to dominate the value changes arising from the economic relationship between the hedged item and hedging instrument.
- (4) The hedge relationship no longer meets other conditions for using the hedge accounting method.

Fair value hedge

The Group records gains or losses on hedging instruments in profit or loss. If the hedging instrument is used to hedge not-held-for-trading equity instrument investment measured at fair value through other comprehensive income, the gain or loss on hedging instrument investment is recorded in other comprehensive income.

The Group records the gain or loss on the hedged exposure of the hedged item in profit or loss and meanwhile adjusts the book value of the recognized hedged item not measured at fair value. If the hedged item is classified as a debt instrument investment measured at fair value through other comprehensive income, the gain or loss on its hedged exposure is recorded in profit or loss.

In fair value hedge, the hedged item is classified as a financial asset measured at fair value through other comprehensive income. The Group amortizes the recognized cumulative hedge gains or losses using the same method as stated above.

Hedge effectiveness assessment method

The Group assesses whether the hedge relationship meets the hedge effectiveness requirements on an ongoing basis on and after the start date of hedge. If a hedge meets all of the following conditions, the Group will conclude that the hedging relationship meets the hedge effectiveness requirements:

- (1) There is an economic relationship between hedged item and the hedging instrument.
- (2) The impact of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.
- (3) The hedge ratio of the hedge relationship will be equal to the ratio of the number of hedged items of the Group to the number of the hedging tools used to hedge them.

If the hedge relationship no longer meets the hedge effectiveness requirements due to hedge ratio but the risk management objective that designates the hedging relationship has not changed, the Group will rebalance the hedging relationship, adjust the number of hedged items or hedging instruments in the existing hedging relationship, so that the hedge ratio will meet the hedge effectiveness requirements again.

9. Financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase

Financial assets purchased under agreements to resell means the money lent by the Group by buying financial assets and then selling them back at a fixed price under the agreements to resell. Financial assets sold under agreements to repurchase means the money borrowed by the Group by selling financial assets and then repurchasing them at a fixed price under the agreements to repurchase.

Financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase are recorded and presented in the balance sheet in the amounts actually paid or received upon occurrence of transaction. In the case of financial assets purchased under agreements to resell, the purchased assets will not be recognized. In the case of financial assets sold under agreements to repurchase, the sold assets will continue to be recognized in balance sheet.

The bid-ask spread of financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase is amortized using effective interest rate method during the transaction period and recognized as "interest income" and "interest expenses" respectively.

10. Long-term equity investments

Control means that the investor has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee.

A long-term equity investment is measured initially at cost.

The Group adopts the cost method to calculate its long-term equity investment in subsidiaries. Subsidiaries refer to investees controlled by the Group.

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost. The cost of long-term equity investment will be adjusted upon addition or withdrawal of investment. The investment return for the current period is recognized based on cash dividend or profit announced to be distributed by the investee.

Disposal of long-term equity investment

When the Group disposes of long-term equity investment, it records the difference between its book value and the actual acquisition cost through current profit or loss.

11. Fixed assets

The fixed assets of the Group refer to tangible assets held for rendering of labor service, lease or operating management whose useful life exceeds one accounting year. A fixed asset is recognized only when the economic benefits associated with it will probably flow into the Group and its asset can be reliably measured.

Fixed assets are measured initially at cost. Depreciation of fixed assets will be set aside based on the straight-line method over the useful life starting from the following month after the fixed assets reach their scheduled usable condition. The usable life, estimated residual rate and annual depreciation rate of all categories of fixed assets are shown as follows:

Category	Usable life	Estimated residual rate	Annual depreciation rate
Houses and buildings	20 – 35 years	5%	2.71% – 4.75%
Office supplies and electronic devices	3 – 5 years	5%	19.00% – 31.67%
Transportation facilities	5 – 10 years	5%	9.50% – 19.00%

Estimated residual value refers to the amount obtained by the Group from disposal of the asset deducting the estimated disposal expense, assuming that the fixed asset comes to the end of its estimated useful life at the expected status.

A fixed asset is derecognized when it is disposal of or its expected use or when it is no longer expected to generate economic benefit through use of disposal. The balance of disposal income from sale, transfer, retirement or destruction of fixed assets deducting their book value and related taxes and dues shall be recorded through profit or loss.

At least at the end of every accounting year, the Group reviews the useful life, estimated residual value and depreciation methods for the fixed assets. Any changes will be treated as changes in accounting estimation.

The cost of construction-in-process is measured at actual cost. The actual cost includes all project expenses, capitalized borrowing costs before the project becomes ready for intended use and other relevant expenses incurred during the construction period. Construction-in-process is not depreciated. Construction-in-process is converted into fixed asset when it reaches scheduled usable condition.

12. Intangible assets

Intangible assets refer to recognizable non-monetary assets with no physical form that are owned or controlled by the Group.

Intangible assets are measured initially at cost. For an intangible asset with a limited useful life, its original value will be amortized over its estimated useful life starting from the time when it is available for use. Intangible assets with uncertain useful life will not be amortized.

The useful life of intangible assets are as follows:

Category	Usable life
Land use rights	40 – 50 years

At the end of the period, the Group reviews the useful life and amortization method of the intangible asset with a limited useful life. Any changes will be treated as changes in accounting estimation.

13. Repossessed assets

When the loans and advances to customers and interest receivable are repaid by repossession of assets, the repossessed assets are recorded at the fair value of the waived debts, and the expenses payable for repossession of the assets are included in the book value of repossessed assets. When there is any sign showing that the realizable net value of a repossessed asset is lower than its book value, the Group reduces its book value to its realizable value.

Gains or losses from disposal of the repossessed asset are recorded through current profit or loss.

If the repossessed asset is converted for private use, it shall be carried forward by its book balance on the date of transfer. If impairment reserve for the repossessed asset is set aside, the reserve shall also be carried forward.

14. Impairment of non-financial assets

On each balance sheet date, the Group checks the long-term equity investments, fixed assets, construction-in-process, right-of-use assets and intangible assets with a fixed service life for any sign of impairment. If there is any sign of impairment on the asset, the recoverable amount shall be estimated and an impairment test shall be conducted.

The Group estimates the recoverable amount based on a single asset; if it is hard to estimate the recoverable amount of a single asset, that of the asset portfolio where the single asset belongs will be measured. Recoverable amount is determined based on the fair value deducting disposal expense of the asset or asset portfolio and present value of estimated future cash flows of the asset, whichever is higher. If the recoverable amount of the asset is lower than the book value, impairment reserve will be set aside based on the difference and be recorded through current profit or loss. The above impairment loss of assets will not be reversed in the subsequent accounting periods once it is recognized.

15. Staff remuneration and welfare

Employee Compensation

The Group recognizes employees' short-term compensation actually incurred as liabilities during the reporting periods when the employees render services and records it through current profit or loss or relevant asset cost. The Group's employee welfare is recorded through current profit or loss or relevant asset cost based on the actual amount upon occurrence. Non-monetary employee welfare will be measured at fair value.

Social welfare

The Group joins in the social security system for employees established by the government as required, including basic endowment insurance, medical insurance, housing provident fund and other social security systems. During the reporting periods when the employees render services, the social welfare will be recognized as liabilities based on the amount payable and recorded through current profit or loss.

Annuity Plan

In addition to basic endowment insurance, employees of the Bank also participate in the employee retirement benefits plan created by the Bank (hereinafter referred to as "Annuity Plan"). The Bank contributes fund to the Annuity Plan as per a certain percentage of wages, and the contributions are recorded through current profit or loss. The Bank contributes a fixed amount of fund to the Annuity Plan. However, if the Annuity Plan is not sufficient to pay employees' future retirement benefits, the Bank is not obliged to make fund injection.

16. Projected liabilities

If an obligation in connection with contingencies meets the following conditions, the Group will recognize it as a projected liability: (1) The obligation is a current obligation; (2) Performance of the obligation will likely cause outflow of the related economic benefit; and (3) The amount of the obligation can be reliably measured.

On the balance sheet date, factors pertaining to a contingency such as risks, uncertainties and time value of money are taken into account, while the contingent liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, the best estimate is determined by discounting the expected future cash flows.

Where all or partial expenses paid for the liquidation of projected liabilities are expected to be compensated by a third party, the compensation can only be separately recognized as an asset when it is basically confirmed to be recoverable. The recognized compensation amount should not exceed the book value of the projected liabilities.

Allowances for impairment losses on loan commitments and financial guarantee contracts recognized by the Group based on expected credit loss are stated as projected liabilities.

17. Preference shares, perpetual bonds and others financial instruments

The preference shares, perpetual bonds and others financial instruments issued by the Group are taken as equity instruments, provided that the following conditions are met:

- (1) The financial instrument does not include delivery of cash or other financial assets to other parties, or any contractual obligation of exchanging financial assets or liabilities with other parties under potentially unfavorable conditions;
- (2) Where the financial instrument shall or can be settled with the Group's own equity instruments in the future, (a) in case of a non-derivative instrument, it shall not include any contractual obligation of settlement with the delivery of variable number of the Group's own equity instruments; or (b) in case of a derivative instrument, it can only be settled with fixed number of the Group's own equity instruments exchanging for cash or other financial assets with fixed amount.

Except for other financial instruments that can be classified as equity instruments under the above conditions, financial instruments issued by the Group are classified as financial liabilities.

For preference shares, perpetual bonds and other financial instruments classified as financial liabilities, the interest expenses or dividend distributions are accounted for as borrowing expenses and the gains or losses on their repurchase or redemption are recorded in current profit or loss. Where financial liabilities are measured at amortized cost, relevant transaction expenses are included in the initial measured amount.

For preference shares, perpetual bonds and other financial instruments classified as equity instruments, the interest expenses or dividend distributions are accounted for as the Group's profit distribution, their repurchase or deregistration is accounted for as equity changes and relevant transaction expenses are deducted from equity.

18. Recognition of income

Income refers to total inflow of economic benefits generated in the day-to-day activities of the Group, which will lead to an increase in shareholder's equity and is irrelevant to the capital contributed by shareholders.

The specific accounting policy relating to main activities for which the Group recognizes income is described below:

Net interest income

Except financial instruments measured at fair value through profit or loss, the interest income and expenses on all financial instruments are measured at effective interest rate and stated under "interest income" and "interest expenses" of the consolidated income statement. Interest income on financial instruments measured at fair value through profit or loss is recognized in "investment income".

Net fee and commission income

The Group recognizes the fee and commission income when performing each separate performance obligation, that is, when the "control" of a good or service under a performance obligation is transferred to the customer.

Performance obligation means a promise in a contract that the Group will transfer to the customer a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer. If the contract contains two or more performance obligations, the Group will allocate the transaction price to separate performance obligations (except for discounts and variable consideration) according to the relative proportion of the stand-alone selling price of the goods or services promised by separate performance obligations on the contract commencement date and measure the income according to the transaction price allocated to separate performance obligations.

The stand-alone selling price of the distinct goods or services based on performance obligations is determined at the contract commencement date. The price at which the Group separately sells a commodity or service to similar customers in a similar environment is the best proof to determine the separate price of the commodity or service. If the stand-alone selling price is not directly observable, the Group uses appropriate techniques to estimate the transaction price finally allocated to any performance obligation to reflect the consideration that the Group is expected to be entitled to for transferring goods or services to customers.

A performance obligation that meets any of the following conditions is deemed to be satisfied over time and the relevant revenue is recognized over time:

- (1) The customer simultaneously receives and consumes the economic benefits provided by the entity's performance as the entity performs;
- (2) The customer controls the work-in-process during the entity's performance;
- (3) The Group's performance does not create a good or service with an alternative use, and the Group has an enforceable right to payment for performance completed to date over the entire contract term.

Otherwise, the performance obligation is deemed to be satisfied at a point in time.

For the performance obligation to be satisfied over time, the Group recognizes revenue over time according to the progress of performance. The progress of satisfying the performance obligation is measured using the output approach. This approach determines the progress of performance based on directly measuring the value of service transferred to customer relative to the value of the residual service under contract, which best reflects the Group's performance in transferring the control of service.

For the performance obligation satisfied at a point in time, the Group recognizes revenue at the point in time when the Group acquires control of the relevant good or service. In judging whether the customer has acquired the control of a good or service or not, the Group will consider the following signs:

- (1) The Group has a present right to payment for the good or service;
- (2) The Group has transferred physical possession of the good to the customer;
- (3) The Group has transferred the legal title to the good or the significant risks and rewards related to the ownership of the asset;
- (4) The customer has accepted the good or service.

When another party is involved in providing service to a customer, the Group will determine whether the nature of its promise is a performance obligation to provide the specified service itself (i.e. the Group is a principal) or to arrange for service to be provided by another party (i.e. the Group is an agent).

The Group is a principal if it has control of a service before that service is transferred to a customer: The Group is an agent if the performance obligation is to arrange for service to be provided by another party. In such a circumstance, the Group will not control the specified service provided by another party before the service is transferred to the customer. If the Group acts as an agent, the Group recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified service to be provided by another party.

19. Government subsidies

Government subsidies refer to the monetary and non-monetary assets that the Group obtains free-of-charge from the Government. Government subsidies can be confirmed when they meet the attached conditions and can be received.

If such subsidies are monetary assets, they shall be measured at the received or receivable amount.

The government subsidies related to assets are determined as deferred income, and recorded through current profit or loss over the whole lease period by phase.

The government subsidies related to benefit, if used for covering the already incurred costs and expenses or losses, shall be directly recorded in profit or loss.

For relating to the Group's daily activities, the government subsidies shall be accounted into other incomes in the light of the economic nature of business. Otherwise, they shall be accounted into non-operating income and expenditure.

Where an already recognized government subsidy needs to be returned, the book balance of related deferred income shall be written down if there is an outstanding deferred income, and the exceeding part shall be accounted through profit or loss; if not, it shall be accounted through profit or loss directly.

20. Income tax

Income tax expense includes the current income tax and the deferred income tax.

Current tax

On the balance sheet date, the income tax liabilities (or assets) that are formed during the current and previous periods shall be measured based on the amount of income tax that should be paid (or rebated) based on the tax law. The taxable income, namely the basis of current tax calculation, is obtained after the pre-tax accounting profit of the period is adjusted pursuant to the tax laws.

Deferred income tax

For the difference between the book value and the tax base of some assets and liabilities and the temporary difference between the book value and tax base of items that are not recognized as assets and liabilities but whose tax base can be determined according to the tax law, the deferred income tax assets and liabilities will be recognized based on the balance sheet liability method.

Generally the relevant deferred income tax is recognized for all temporary differences. With regard to deductible temporary differences, however, the Group recognizes the relevant deferred income tax assets up to the amount of taxable income that may be obtained in the future to offset the deductible temporary difference. In addition, for temporary differences relating with the initial recognition of goodwill, or the initial recognition of assets or liabilities generated from transactions that are not a business combination and that will not affect the accounting profit and taxable income (or deductible losses), relevant deferred income tax asset or liabilities will not be recognized.

For deductible losses that could be carried forward to the following years and tax credits, the Group recognizes relevant income tax assets within the limit of future taxable income that is very likely to be obtained by the Group to offset deductible losses and tax credits.

The Group recognizes the deferred income tax liabilities arising from the taxable temporary differences in connection with subsidiaries, unless the Group can control the time for the reversal of such temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. For deductible temporary differences in connection with subsidiaries, the Group recognizes the deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and taxable income is likely to be obtained in the future to offset deductible temporary difference.

On the balance sheet date, the deferred income tax assets and liabilities are measured based on the tax rate in the expected period to collect the assets or repay the liabilities, according to the tax law.

Current income tax and deferred income tax, except adjusted goodwill due to business combination or equity transactions or matters recognized directly in shareholder's equity, are stated in profit or loss as income tax expense or gain.

On the balance sheet date, the book value of the deferred income tax assets will be reviewed. In case that the Group is not likely to obtain adequate amount of taxable income in the future to offset the deferred income tax assets, the book value of the deferred income tax assets will be written down. When the Group is able to obtain an adequate amount of taxable income, the written-down amount will be reversed.

Offset of income tax

When the Group has the statutory right to settle on a net basis, or intends either to settle on a net basis or realize assets and repay liabilities at the same time, its current income tax assets and liabilities will be presented by the net amount after offset.

The deferred income tax assets and liabilities of the Group will be presented by the net amount after offset in the case that the Group has the statutory right to settle the current income tax assets and liabilities on a net basis, and the deferred income tax assets and liabilities are related to the income tax levied from a single subject of taxation by a single taxation authority or related to the income tax levied from different subjects of taxation, but the subjects of taxation involved intend to settle the current income tax assets and liabilities on a net basis or realize assets and repay liabilities at the same time during a future period in which a significant deferred income tax asset and liability is reversed.

21. Fiduciary business

Generally, the Group manages assets on behalf of customers as the agent, trustee or other fiduciary capacities in accordance with the agent agreement concluded with securities investment fund, social security fund, insurance company, trust company and other institutions. The Group only provides services and charges fees according to the agent agreement and does not take risks and interests relating with the agency assets. The agency assets will not be recognized in the balance sheet of the Group.

The Group also engages in entrusted loans. The Group grants loans to borrowers as an intermediary based on the borrower, purpose, amount, interest rate and repayment plan determined by the principal, in accordance with the entrusted loan contract. The Group is responsible for granting and assisting in collecting entrusted loans and charges fees for services provided, but it does not take risks and interests relating with the entrusted loans. The entrusted loans and entrusted loan assets will not be recognized in the balance sheet of the Group.

22. Leasing

The Group assesses whether a contract is or contains a lease at the contract commencement date. A contract is or contains a lease if it conveys the right to control the use of an identified asset or identified assets for a certain period of time in exchange for consideration.

As the lessee

Right-of-use assets

At the lease commencement date, the Group recognizes its right to use the underlying asset during the lease term as the right-of-use asset and initially measures it at cost. Costs of right-of-use assets include: (1) the amount of the initial measurement of the lease liability; (2) any payments made at, or before, the commencement date of the lease, less any lease incentives received; (3) any initial direct costs incurred by the Group as the lessee; and (4) an estimate of any costs to be incurred in dismantling and removing the underlying asset, or restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Where the Group re-measures lease liabilities due to changes in lease payments, the carrying amount of the right-of-use asset is adjusted accordingly.

Subsequently the Group depreciates the right-of-use assets on a straight-line basis. If it is reasonably certain that the ownership of the underlying asset will be transferred to the lessee upon expiration of the lease term, the Group will depreciate the right-of-use assets over the remaining useful life of the underlying asset. If it is not reasonably certain that the ownership of the underlying asset will be transferred to the lessee upon expiration of the lease term, the Group will depreciate the right-of-use assets over the lease term or the remaining useful life of the underlying asset, whichever is shorter.

Lease liabilities

At the lease commencement date, the Group recognizes the present value of unpaid lease payments as lease liability, except for short-term leases and low-value asset leases. Lease payments include fixed payments and in-substance fixed payments net of lease incentives, variable lease payments depending on indexes or ratios and expected payables based on security balances, and also include the strike price of the purchase option or amounts payable to exercise the option to terminate the lease, provided that the Group is reasonably sure that the option will be exercised or that the lease term suggests that the Group will exercise the option to terminate the lease.

In calculating the present value of lease payments, the Group adopts the ChinaBond Ordinary Bond of Commercial Bank Yield (AAA) as the discount rate. The Group calculates the interest expense of the lease liability in each period over the lease term according to the fixed periodic interest rate, and records it in profit or loss. The variable lease payments not included in the measurement of lease liability are included in the profit or loss when incurred.

After the beginning of the lease term, the Group increases the carrying amount of the lease liability when recognizing interest and reduces the carrying amount of the lease liability when paying the lease payment. Where the amount of in-substance fixed payments changes, the estimated payable amount of the residual value guarantees changes, the index or ratio used to determine the lease payment amount changes or the assessment result or actual exercise of the purchase option, renewal option or termination option changes, the Group will re-measure the lease liability at the present value of the changed amount of lease payments.

Incremental borrowing rate

The Group calculates the present value of lease payments using the incremental borrowing rate as the discount rate. In determining the incremental borrowing rate, each institution of the Group takes the readily observable interest rate as the base rate for determining the incremental borrowing rate according to its economic environment. On this basis, an applicable incremental borrowing rate is determined by adjusting the reference rate according to its own conditions, the underlying asset, lease term, lease liability and other lease particulars.

Short-term leases and low-value asset leases

At the commencement date of the lease term, the Group identifies a lease with a lease term of 12 months or less and containing no purchase options as short-term lease, and identifies a lease where the underlying asset has a low value when new as a low-value asset lease. The Group chooses not to recognize right-of-use assets and lease liabilities for short-term leases or low-value asset leases, and amortizes their rental in each period over the lease term on a straight-line basis and recognizes it in profit or loss.

As the leaser

Finance lease is a type of lease that transfers substantially all risks and rewards incident to the ownership of a leased asset at the lease commencement date. Any lease other than a financial lease is operating lease.

As the lessor in a financial lease, the Group recognizes the financial lease receivable for the financial lease and derecognize financial lease assets at the commencement date of the lease term. Upon initial measurement of the financial lease receivable, the Group records the net investment in the lease as the carrying value of the financial lease receivable. The net investment in the lease comprises the unguaranteed residual value and the present value of the outstanding lease payments discounted at the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period over the lease term according to the fixed periodic interest rate. The variable lease payments not included in the measurement of the net investment in the lease are stated the profit or loss when incurred.

As the lessor in an operating lease, the Group still presents the leased asset as the Group's asset. The rental income from operating lease is amortized over each period on a straight-line basis and recognized in profit or loss. Contingent rentals are recognized in profit or loss when incurred.

Sale and lease-back

The Group assesses and determines whether the asset transfer in a sale and lease-back transaction is a sale according to Note IV-18.

As the lessor

Where the asset transfer in a sale and lease-back transaction belongs to sales, the Group accounts for the asset purchase as the lessor and accounts for the asset leasing pursuant to the aforesaid rules. Where the asset transfer in a sale and lease-back transaction is not a sale, the Group as the lessor does not recognize the transferred asset, but recognizes a financial asset equal to the transfer income, and accounts for the financial asset according to Note IV-8.

23. Debt restructuring

As the creditor

Where the debt restructuring takes the form of debt service with non-cash asset, the Group initially recognizes the asset other than transferred financial asset at cost. Costs include the fair value of waived debts and the tax, transport, handling, insurance and other costs incurred in bringing the asset to its present location and condition and directly attributable to the asset. The difference between fair value and book value of waived debts is recognized into current profit or loss.

Where the debt restructuring takes the form of modifying other terms and conditions, the Group recognizes and measures the restructured debts in accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

Where debt restructuring takes the form of debt service with multiple assets or a combination of methods, the received financial assets and restructured debt will be recognized and measured first in accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*. Then the fair value of waived debt net of the recognized amount of financial assets and restructured debt will be distributed in proportion to assets other than received financial assets, and on this basis the costs of assets are recognized respectively using the foregoing method. The difference between fair value and book value of waived debts is recognized into current profit or loss.

V. MAJOR JUDGMENTS MADE IN ACCOUNTING POLICY APPLICATION AND KEY ASSUMPTIONS AND UNCERTAINTIES ADOPTED IN ACCOUNTING ESTIMATION

During the process of applying the accounting policies described in Note IV, the Group needs to make judgments, estimates and assumptions on the book value of statement items that cannot be measured accurately due to the inherent uncertainties of the operating activities. These judgments, estimates and assumptions are made based on the historical experience of the Management of the Group and other relevant factors, and therefore the actual results may be different from the estimates of the Group.

The Group regularly checks the foresaid judgments, estimates and assumptions on an ongoing basis. If the change in accounting estimates only has impact on the current period, it will be recognized in the current period; if it has impact on both the current period and future periods, it will be recognized in the current period and future periods.

On the balance sheet date, the Group needs to make judgments, estimates and assumptions on the amount of items in the financial statements in the following fields:

1. Classification of financial assets

Major judgments the Group makes in classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for financial asset management at the level of financial asset portfolio. Considerations include the way of evaluating and reporting to key management personnel the performance of financial assets, risks affecting the performance of financial assets and their management methods and the way of remunerating relevant business management personnel.

The Group makes the following major judgments in assessing whether the contractual cash flows of financial assets are consistent with basic lending arrangements: whether the principal undergoes changes in time distribution or amount during the life due to prepayment; whether the interest only includes the consideration for time value of money, credit risks, other basic lending risks, costs and profits. For example, whether the prepayment amount reflects the outstanding principal and interest on outstanding principal and the reasonable compensation for early termination of contract.

2. Fair value of financial instruments

As for the financial instruments without active market, the Group adopts various valuation methods to determine their fair value. These methods include the discounted cash flow model, option pricing model and market comparison method. The valuation models developed by the Group use as much market information as possible and use as less information specific to the Group as possible. However, the Management needs to estimate observable market information that is unavailable. These changes in related assumptions will influence the fair value of the financial instruments. The Group regularly reviews the foregoing estimates and assumptions and makes adjustments where necessary.

3. Measurement of credit impairment loss

- i. Significant increase in credit risk: The impairment allowances are recognized in the ECL model based on the 12-month ECL in Stage 1 and based on the lifetime ECL in Stage 2 and Stage 3. If the credit risk has increased significantly since initial recognition, the asset will move to Stage 2; if the asset is credit-impaired, it will move to Stage 3 (not purchased or originated credit-impaired asset). In assessing whether the credit risk of the asset increases significantly, the Group will consider qualitative and quantitative forward-looking information that is both reasonable and supportable;
- ii. Grouping of assets with similar credit risks characteristics: When ECL is measured on a portfolio basis, financial instruments are grouped on the basis of similar risk characteristics. The Group keeps assessing whether these financial instruments maintain similar credit risk characteristics to ensure financial instruments will be properly reclassified once credit risk characteristic change. This may lead to the creation of a new asset portfolio or reclassification of assets to an existing asset portfolio to better reflect the similar credit risk characteristic of such assets;
- iii. Use of models and assumptions: The Group uses different models and assumptions to assess the fair value and ECL of a financial asset. By making judgment, the Group determines the model most suitable for each financial asset and the assumptions used by the model, including assumptions related to key drivers of credit risk;
- iv. Forward-looking information: In assessing ECL, the Group uses reasonable and supportable forward-looking information that is based on assumptions regarding future trends in different economic drivers and how these economic drivers influence each other;
- v. Probability of default: PD is an important input for ECL. PD is an estimate of the likelihood of default in a given future period. Its calculation involves historical data, assumptions and future expectations;
- vi. Loss given default: LGD is an estimate of the loss caused by default. It is based on the difference between contractual cash flows and expected cash flows to be received by the borrower, taking into account the cash flows and overall credit enhancement generated by collateral.

4. Judgment on control over structured entity

Where the Group serves as the manager or investor of the structured entity, it is necessary to assess whether the Group is the principal or agent so as to decide whether it has control over the structured entity. The Group decides whether it is the principal or agent based on such factors as its decision-making scope as the manager or investor, power of other parties, compensation of management services and the risk exposure of variable income.

5. Derecognition of financial assets

The Group transfers financial assets in its normal operating activities through various methods such as conventional transactions, asset securitization, and repurchase agreements. While determining whether the transferred financial assets can be derecognized entirely, the Group needs to make significant judgments and estimations.

Where financial assets are transferred to special-purpose entities through structured transactions, the Group shall analyze and assess whether its relations with these entities virtually indicate that it exercises the control power over these entities, thus entailing the combination. The decision on combination will determine whether the analysis for derecognition shall occur on the level of combined entities or single entities from which financial assets are transferred.

The Group needs to analyze the rights and obligations relating to the contracted cash flow arising from the transfer of financial assets, and then confirms whether the conditions for derecognition can be met with reference to the following basis:

- (1) Where the contractual rights for collecting cash flows of the said financial asset are terminated;
- (2) Where the financial asset has been transferred and nearly all of the risks and returns in connection with the ownership of the financial asset have been shifted to the transferee;
- (3) Where the financial asset has been transferred and the Group has not retained control over the financial asset, though it does not transfer or retain almost all of the risks and returns in connection with the ownership of the financial asset.

6. Income tax

In the normal operating activities of the Group, there is uncertainty in the ultimate tax treatment and calculation of some transactions. Whether some items can be disbursed before tax is subject to the approval of the competent taxation authorities. If there is any difference between the ultimate determination result and the initially estimated amount of these tax items, the difference will pose impact on the current income tax and deferred income tax for the ultimate recognition period. At the same time, the Management of the Group needs to estimate the amount of deferred income tax assets that can be reversed in the future.

VI. MAJOR ITEMS

1. Enterprise income tax

The Chinese corporate income tax rate of 25% is applicable to all taxable entities within the Group. According to Paragraph 13 of Article 30 of the *Catalogue for Guiding Industry Restructuring (Edition 2019)* issued by NDRC Document No. 29 of 2019 with regard to the encouraged category, as from 1 January 2020, the Group's subsidiary Huaxia Financial Leasing Co., Ltd. is subject to a preferential corporate income tax rate of 15% applicable to enterprises in regions covered by China's Western Development Program.

2. VAT

Since 1 May 2016, the Group has paid VAT instead of business tax, with the basis of taxation being assessable amounts. The tax payable under the general tax computation method shall be calculated by subtracting deductible input taxes from the result of multiplying the assessable income by the applicable tax rate. The tax payable under the simple tax computation method shall be calculated by multiplying the assessable transaction or sales amount by the applicable tax rate. The value added tax rates applicable to the Group are 6% and 13%.

3. Urban maintenance and construction tax

The Group calculates and pays the urban maintenance and construction tax at 5% or 7% of VAT.

4. Education fee and surcharges

The Group calculates and pays the education fee and surcharges at 3% of VAT.

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries acquired through establishment or investment as at 31 December 2022 are as follows:

Name	Date of establishment	Place of registration	Registered capital/ Paid-in capital	Shareholding percentage	Voting rights percentage	Minority entity	Business nature
			RMB millions	(%)	(%)	RMB millions	
Beijing Daxing Hua Xia Rural Bank Co., Ltd	2010	Beijing	125	80.00	80.00	26	Banking
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	2011	Kunming	50	70.00	70.00	23	Banking
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	2011	Jiangyou	75	70.00	70.00	44	Banking
Huaxia Financial Leasing Co., Ltd.	2013	Kunming	10,000	82.00	82.00	2,772	Financial leasing
Huaxia Wealth Management Co., Ltd.	2020	Beijing	3,000	100.00	100.00	-	Asset management

(1) In December 2022, Huaxia Financial Leasing Co., Ltd. converted RMB2 billion of retained profit into registered capital. The conversion increased registered capital to RMB10 billion.

For details on structured entities included in consolidated scope of the Group, please see Note XIII Structured Entities.

VIII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS

1. Cash on hand and balances with central banks

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash on hand	2,035	1,842	2,024	1,829
Statutory reserves with central banks	(1)	151,907	151,801	150,374
Excess reserves with central banks	(2)	21,154	20,925	33,212
Other balances with central banks	(3)	287	287	424
Total	175,383	186,174	175,037	185,839

(1) The Group deposits statutory reserves for general deposits with PBOC as required. The percentage of reserves is specified below:

	31 December 2022	31 December 2021
RMB:		
The Bank	7.50%	8.00%
Beijing Daxing Hua Xia Rural Bank Co., Ltd	5.00%	5.00%
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	5.00%	5.00%
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	5.00%	5.00%
Foreign currency:	6.00%	9.00%

(2) Excessive reserves with the central bank refer to the funds placed by the Group with the central bank in addition to the statutory reserves to ensure the normal withdrawal of deposits and business operations.

(3) Other funds placed with the central bank are deemed as fiscal deposits and exchange risk reserve at the central bank, and PBOC pays no interest for the fiscal deposits and exchange risk reserve.

2. Due from banks

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Due from domestic banks and other financial institutions	13,193	9,882	12,819	9,857
Due from overseas banks and other financial institutions	5,294	7,862	5,294	7,862
Accrued interest	45	32	1	34
Less: Allowance for impairment losses	(255)	(73)	(255)	(73)
Book value of due from banks and other financial institutions	18,277	17,703	17,859	17,680

In 2022 and 2021, no stage transfer occurred to the allowance for impairment losses on due from banks of the Group and the Bank.

3. Placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Placements with domestic banks and other financial institutions	689	–	689	–
Placements with overseas banks and other financial institutions	6,054	300	6,054	300
Placements with other domestic financial institutions	50,523	82,969	56,523	91,470
Accrued interest	60	88	60	96
Less: Allowance for impairment losses	(92)	(94)	(92)	(94)
Book value of placements with banks and other financial institutions	57,234	83,263	63,234	91,772

In 2022 and 2021, no stage transfer occurred to the allowance for impairment losses on the placements with banks and other financial institutions of the Group and the Bank.

4. Derivative financial instruments

Non-hedging instruments:

	The Group and the Bank		
	31 December 2022		
	Contractual/ nominal principal	Fair value	
Assets		Liabilities	
Foreign exchange forwards	47,252	1,215	1,228
Foreign exchange swaps	385,128	5,989	4,847
Interest rate swaps	24,141	16	15
Option contracts	90,315	252	252
Total		7,472	6,342

	The Group and the Bank		
	31 December 2021		
	Contractual/ nominal principal	Fair value	
Assets		Liabilities	
Foreign exchange forwards	18,917	165	134
Foreign exchange swaps	637,276	7,804	7,654
Interest rate swaps	15,700	10	10
Option contracts	99,574	76	83
Precious metal swap	206	–	1
Total		8,055	7,882

Hedging instruments:

Fair value hedge

The Group uses fair value hedge to avoid the impact of changes in the fair value of financial assets caused by changes in market interest rates. Interest rate swap is used as a hedging instrument for interest rate risk of financial assets. The hedging instruments designated by the Group and the Bank included in the above derivative financial instruments are as follows:

The Group and the Bank			
31 December 2022			
Fair value			
	Contractual/ nominal principal	Assets	Liabilities
Derivatives designated as fair value hedge:			
Interest rate swaps	11,140	33	17

The Group and the Bank			
31 December 2021			
Fair value			
	Contractual/ nominal principal	Assets	Liabilities
Derivatives designated as fair value hedge:			
Interest rate swaps	7,323	144	-

Hedged items are fixed-rate bonds invested in by the Group, which are included in the bonds of financial institutions and corporate bonds in Note VIII-9 Other Debt Investments.

The invalid hedge recognized in the loss/gain on changes in fair value in 2022 and 2021 was insignificant.

5. Financial assets purchased under agreements to resell

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
By collateral type:				
Bonds	37,266	5,775	37,266	-
Bills	21,293	12,787	21,293	12,787
Accrued interest	190	134	190	130
Less: Allowance for impairment losses	(307)	(306)	(307)	(306)
Book value of financial assets purchased under agreements to resell	58,442	18,390	58,442	12,611

6. Loans and advances to customers

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans and advances to customers measured at amortized cost ⁽¹⁾	2,170,242	2,071,776	2,052,908	1,946,715
Less: Allowance for impairment losses	(63,661)	(58,483)	(57,538)	(52,384)
Sub-total	2,106,581	2,013,293	1,995,370	1,894,331
Loans and advances to customers measured at fair value through other comprehensive income ⁽²⁾	102,731	141,753	102,731	141,753
Accrued interest	8,379	7,920	8,363	7,905
Total	2,217,691	2,162,966	2,106,464	2,043,989

(1) The loans and advances to customers measured at amortized cost are distributed as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporate loans and advances to customers	1,463,241	1,421,476	1,350,926	1,301,320
Of which: Loan	1,423,697	1,393,884	1,311,382	1,273,728
Discounting	39,544	27,592	39,544	27,592
Personal loans and advances to customers	707,001	650,300	701,982	645,395
Of which: Residential mortgages	318,125	303,922	318,048	303,869
Credit Cards	181,670	174,348	181,670	174,348
Others	207,206	172,030	202,264	167,178
Total loans and advances to customers	2,170,242	2,071,776	2,052,908	1,946,715
Less: Allowance for impairment losses on loans and advances to customers	(63,661)	(58,483)	(57,538)	(52,384)
Of which: 12-month ECL	(16,628)	(20,508)	(15,113)	(16,702)
Lifetime ECL	(47,033)	(37,975)	(42,425)	(35,682)
Total	2,106,581	2,013,293	1,995,370	1,894,331

(2) The loans and advances to customers measured at fair value through other comprehensive income are distributed as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporate loans and advances to customers				
Of which: Loan	22,014	32,781	22,014	32,781
Discounting	80,717	108,972	80,717	108,972
Total	102,731	141,753	102,731	141,753

(3) The loans and advances to customers are presented as follows by assessment method:

31 December 2022	The Group			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortized cost	2,046,370	82,902	40,970	2,170,242
Less: Allowance for impairment losses on loans and advances to customers measured at amortized cost	(16,628)	(16,749)	(30,284)	(63,661)
Net loans and advances measured at amortized cost	2,029,742	66,153	10,686	2,106,581
Loans and advances to customers measured at fair value through other comprehensive income	102,731	102,731	–	102,731
Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(83)	–	–	(83)

31 December 2021	The Group			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortized cost	1,953,796	78,223	39,757	2,071,776
Less: Allowance for impairment losses on loans and advances to customers measured at amortized cost	(20,508)	(10,590)	(27,385)	(58,483)
Net loans and advances measured at amortized cost	1,933,288	67,633	12,372	2,013,293
Loans and advances to customers measured at fair value through other comprehensive income	141,753	–	–	141,753
Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(514)	–	–	(514)

31 December 2022	The Bank			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortized cost	1,943,938	69,403	39,567	2,052,908
Less: Allowance for impairment losses on loans and advances to customers measured at amortized cost	(15,113)	(13,083)	(29,342)	(57,538)
Net loans and advances measured at amortized cost	1,928,825	56,320	10,225	1,995,370
Loans and advances to customers measured at fair value through other comprehensive income	102,731	–	–	102,731
Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(83)	–	–	(83)

31 December 2021	The Bank			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortized cost	1,833,762	73,915	39,038	1,946,715
Less: Allowance for impairment losses on loans and advances to customers measured at amortized cost	(16,702)	(8,937)	(26,745)	(52,384)
Net loans and advances measured at amortized cost	1,817,060	64,978	12,293	1,894,331
Loans and advances to customers measured at fair value through other comprehensive income	141,753	–	–	141,753
Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(514)	–	–	(514)

(4) Changes in allowance for impairment losses on loans and advances to customer measured at amortized cost:

	The Group			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2022	20,508	10,590	27,385	58,483
Transfer to Stage 1	440	(389)	(51)	–
Transfer to Stage 2	(1,854)	1,913	(59)	–
Transfer to Stage 3	(155)	(1,666)	1,821	–
Charge/(reversal) for the year ⁽¹⁾	(2,318)	6,301	23,440	27,423
Recovery for the year	–	–	2,611	2,611
Transfer-out due to increase of present value	–	–	(630)	(630)
Write-offs and transfer-out for the year	–	–	(24,234)	(24,234)
Change in exchange rate	7	–	1	8
31 December 2022	16,628	16,749	30,284	63,661

	The Group			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	19,233	10,264	25,963	55,460
Transfer to Stage 1	317	(255)	(62)	–
Transfer to Stage 2	(1,548)	1,606	(58)	–
Transfer to Stage 3	(143)	(2,492)	2,635	–
Charge for the year ⁽¹⁾	2,654	1,468	21,504	25,626
Recovery for the year	–	–	2,460	2,460
Transfer-out due to increase of present value	–	–	(642)	(642)
Write-offs and transfer-out for the year	–	–	(24,414)	(24,414)
Change in exchange rate	(5)	(1)	(1)	(7)
31 December 2021	20,508	10,590	27,385	58,483

	The Bank			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	16,702	8,937	26,745	52,384
Transfer to Stage 1	440	(389)	(51)	–
Transfer to Stage 2	(1,051)	1,109	(58)	–
Transfer to Stage 3	(52)	(1,613)	1,665	–
Charge/(reversal) for the year ⁽¹⁾	(933)	5,039	22,370	26,476
Recovery for the year	–	–	2,491	2,491
Transfer-out due to increase of present value	–	–	(616)	(616)
Write-offs and transfer-out for the year	–	–	(23,205)	(23,205)
Change in exchange rate	7	–	1	8
31 December 2022	15,113	13,083	29,342	57,538

	The Bank			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2021	16,095	8,784	25,465	50,344
Transfer to Stage 1	163	(101)	(62)	–
Transfer to Stage 2	(1,480)	1,538	(58)	–
Transfer to Stage 3	(143)	(2,300)	2,443	–
Charge for the year ⁽¹⁾	2,072	1,017	20,657	23,746
Recovery for the year	–	–	2,447	2,447
Transfer-out due to increase of present value	–	–	(637)	(637)
Write-offs and transfer-out for the year	–	–	(23,509)	(23,509)
Change in exchange rate	(5)	(1)	(1)	(7)
31 December 2021	16,702	8,937	26,745	52,384

(1) Including new loans, outstanding loans, model/risk parameter adjustments and charge/(reversal) caused by stage shift.

7. Held-for-trading financial assets

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Held-for-trading financial assets:				
Government bonds	16	1,535	16	1,535
Bonds of public entities and quasi-governments	1,173	3,134	1,173	3,134
Bonds of financial institutions	7,676	5,994	7,676	5,994
Corporate bonds	52,085	27,261	52,085	27,261
Certificates of deposit with banks and other financial institutions	17,054	2,022	17,054	2,022
Fund investments	903	4,463	661	4,184
Other investments measured at fair value through profit or loss:				
Asset management plan of financial institutions	130,063	62,787	130,063	62,787
Fund investments	146,875	124,348	146,187	123,730
Beneficiary rights of assets and others	3,158	2,819	2,400	2,226
Sub-total	359,003	234,363	357,315	232,873
Accrued interest	581	394	581	394
Total	359,584	234,757	357,896	233,267

8. Debt investments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	281,780	283,869	280,435	282,577
Bonds of public entities and quasi-governments	89,917	90,002	89,583	89,670
Bonds of financial institutions	21,610	28,131	21,610	28,131
Corporate bonds	84,216	72,147	83,316	71,247
Asset management plan of financial institutions	131,865	151,636	131,865	151,636
Debt financing plans	55,558	78,015	55,558	78,015
Beneficiary rights of assets	22,368	17,592	22,368	17,592
Sub-total	687,314	721,392	684,735	718,868
Accrued interest	9,812	10,318	9,795	10,300
Less: Allowance for impairment losses	(17,015)	(13,444)	(16,735)	(13,264)
Specifically, 12-month ECL	(937)	(2,382)	(937)	(2,202)
Lifetime credit loss	(16,078)	(11,062)	(15,798)	(11,062)
Total	680,111	718,266	677,795	715,904

Credit risk and expected credit loss of bond investments:

	The Group			Total
	31 December 2022			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total debt investment	642,339	24,854	20,121	687,314
Accrued interest	9,192	620	–	9,812
Less: Allowance for impairment losses	(937)	(3,290)	(12,788)	(17,015)
Book value of debt investments	650,594	22,184	7,333	680,111

The Group				
31 December 2021				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total debt investment	681,338	15,689	24,365	721,392
Accrued interest	10,175	143	–	10,318
Less: Allowance for impairment losses	(2,382)	(2,315)	(8,747)	(13,444)
Book value of debt investments	689,131	13,517	15,618	718,266

The Bank				
31 December 2022				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total debt investment	640,660	23,954	20,121	684,735
Accrued interest	9,175	620	–	9,795
Less: Allowance for impairment losses	(937)	(3,010)	(12,788)	(16,735)
Book value of debt investments	648,898	21,564	7,333	677,795

The Bank				
31 December 2021				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total debt investment	678,814	15,689	24,365	718,868
Accrued interest	10,157	143	–	10,300
Less: Allowance for impairment losses	(2,202)	(2,315)	(8,747)	(13,264)
Book value of debt investments	686,769	13,517	15,618	715,904

Changes in allowance for impairment losses on debt investments are as follows:

	The Group			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2022	2,382	2,315	8,747	13,444
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,469)	1,469	-	-
Transfer to Stage 3	-	-	-	-
Charge/(reversal) for the year	19	(494)	3,723	3,248
Write-offs and transfer-out for the year	-	-	(4,057)	(4,057)
Transfer-in for the year	-	-	4,333	4,333
Effect of exchange rate	5	-	42	47
31 December 2022	937	3,290	12,788	17,015

	The Group			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2021	2,197	1,379	1,621	5,197
Transfer to Stage 1	5	(5)	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	-	(31)	31	-
Charge for the year	199	955	8,116	9,270
Write-offs and transfer-out for the year	-	-	(1,021)	(1,021)
Effect of exchange rate	(2)	-	-	(2)
31 December 2021	2,382	2,315	8,747	13,444

	The Bank			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2022	2,202	2,315	8,747	13,264
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,189)	1,189	-	-
Transfer to Stage 3	-	-	-	-
Charge/(reversal) for the year	(81)	(494)	3,723	3,148
Write-offs and transfer-out for the year	-	-	(4,057)	(4,057)
Transfer-in for the year	-	-	4,333	4,333
Effect of exchange rate	5	-	42	47
31 December 2022	937	3,010	12,788	16,735

	The Bank			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2021	2,017	1,379	1,621	5,017
Transfer to Stage 1	5	(5)	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	-	(31)	31	-
Charge for the year	199	955	8,116	9,270
Write-offs and transfer-out for the year	-	-	(1,021)	(1,021)
Effect of exchange rate	(2)	-	-	(2)
31 December 2021	2,202	2,315	8,747	13,264

9. Other debt investments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	37,673	42,806	35,516	41,251
Bonds of public entities and quasi-governments	117,044	58,686	117,044	58,686
Bonds of financial institutions	56,665	54,281	56,665	54,281
Corporate bonds	27,440	35,669	27,440	35,669
Certificates of deposit with banks and other financial institutions	6,209	2,322	6,209	2,322
Sub-total	245,031	193,764	242,874	192,209
Accrued interest	3,074	2,508	3,048	2,489
Total	248,105	196,272	245,922	194,698

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Initial investment cost of other debt investments	246,204	192,006	244,042	190,453
Cumulative changes in fair value	(1,173)	1,758	(1,168)	1,756
Sub-total	245,031	193,764	242,874	192,209
Accrued interest	3,074	2,508	3,048	2,489
Total	248,105	196,272	245,922	194,698
Allowance for impairment losses on credit set aside accumulatively	(227)	(193)	(227)	(193)

Credit risk and expected credit loss of other bond investments:

	The Group			Total
	31 December 2022			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Other debt investments	245,031	–	–	245,031
Accrued interest	3,074	–	–	3,074
Book value of other debt investments	248,105	–	–	248,105
Allowance for impairment losses on other debt investments recorded into other comprehensive income	(227)	–	–	(227)

The Group				
31 December 2021				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Other debt investments	193,764	–	–	193,764
Accrued interest	2,508	–	–	2,508
Book value of other debt investments	196,272	–	–	196,272
Allowance for impairment losses on other debt investments recorded into other comprehensive income	(193)	–	–	(193)

The Bank				
31 December 2022				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Other debt investments	242,874	–	–	242,874
Accrued interest	3,048	–	–	3,048
Book value of other debt investments	245,922	–	–	245,922
Allowance for impairment losses on other debt investments recorded into other comprehensive income	(227)	–	–	(227)

The Bank				
31 December 2021				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Other debt investments	192,209	–	–	192,209
Accrued interest	2,489	–	–	2,489
Book value of other debt investments	194,698	–	–	194,698
Allowance for impairment losses on other debt investments recorded into other comprehensive income	(193)	–	–	(193)

Changes in allowance for impairment losses on other debt investments are as follows:

	The Group and the Bank			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	193	–	–	193
Charge for the year	26	–	–	26
Effect of exchange rate	8	–	–	8
31 December 2022	227	–	–	227

	The Group and the Bank			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	149	–	–	149
Charge for the year	46	–	–	46
Effect of exchange rate	(2)	–	–	(2)
31 December 2021	193	–	–	193

10. Other equity instrument investments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Equity investment	7,131	6,924	6,726	6,605

Analysis of information on other equity instrument investments is as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Initial investment cost of other equity instrument investments	8,835	8,210	8,426	7,889
Changes in fair value recorded in other comprehensive income accumulatively	(1,704)	(1,286)	(1,700)	(1,284)
Total	7,131	6,924	6,726	6,605

The equity instruments in the disposal of repossessed shares of the Group had a fair value of RMB255 million (2021: RMB224 million) in 2022, and the cumulative loss on disposal and the amount of transfer from other comprehensive income to retained earnings was RMB500 million (2021: cumulative gain of RMB11 million).

11. Long-term equity investments

	The Bank	
	31 December 2022	31 December 2021
Subsidiaries		
– Huaxia Financial Leasing Co., Ltd.	4,920	4,920
– Huaxia Wealth Management Co., Ltd.	3,000	3,000
– Beijing Daxing Hua Xia Rural Bank Co., Ltd.	100	100
– Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	35	35
– Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	35	35
Total	8,090	8,090

As at 31 December 2022 and 31 December 2021, there was no impairment in the Group's long-term equity investments.

12. Fixed assets

	The Group					Total
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	Construction in-process	Operating lease assets Note (1)	
Original value						
1 January 2022	14,364	8,574	138	199	288	23,563
Acquisition in the year	453	1,036	6	649	12,657	14,801
Transfer-in/(transfer-out) of construction in-process	255	–	–	(255)	–	–
Sale/disposal	–	(417)	(7)	–	(4)	(428)
Difference from foreign currency translation	–	–	–	–	(3)	(3)
31 December 2022	15,072	9,193	137	593	12,938	37,933
Accumulative depreciation						
1 January 2022	(3,578)	(6,066)	(94)	–	–	(9,738)
Charge for the year	(404)	(748)	(8)	–	(205)	(1,365)
Sale/disposal	–	393	7	–	–	400
31 December 2022	(3,982)	(6,421)	(95)	–	(205)	(10,703)
Allowance for impairment losses						
1 January 2022	–	–	–	–	–	–
Charge for the year	–	–	–	–	–	–
Sale/disposal	–	–	–	–	–	–
31 December 2022	–	–	–	–	–	–
Net amount						
1 January 2022	10,786	2,508	44	199	288	13,825
31 December 2022	11,090	2,772	42	593	12,733	27,230

	The Group					Total
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	Construction in-process	Operating lease assets Note (1)	
Original value						
1 January 2021	14,343	8,174	142	126	–	22,785
Acquisition in the year	23	971	297	73	288	1,652
Sale/disposal	(2)	(571)	(301)	–	–	(874)
31 December 2021	14,364	8,574	138	199	288	23,563
Accumulative depreciation						
1 January 2021	(3,191)	(5,914)	(96)	–	–	(9,201)
Charge for the year	(387)	(682)	(10)	–	–	(1,079)
Sale/disposal	–	530	12	–	–	542
31 December 2021	(3,578)	(6,066)	(94)	–	–	(9,738)
Allowance for impairment losses						
1 January 2021	–	–	–	–	–	–
Charge for the year	–	–	–	–	–	–
Sale/disposal	–	–	–	–	–	–
31 December 2021	–	–	–	–	–	–
Net amount						
1 January 2021	11,152	2,260	46	126	–	13,584
31 December 2021	10,786	2,508	44	199	288	13,825

The Bank					
	Houses and buildings	Office supplies and electronic devices	Transportation facilities	Construction in-process	Total
Original value					
1 January 2022	14,334	8,535	136	199	23,204
Acquisition in the year	453	1,029	6	645	2,133
Transfer-in/(transfer-out) of construction in-process	255	–	–	(255)	–
Sale/disposal	–	(417)	(7)	–	(424)
31 December 2022	15,042	9,147	135	589	24,913
Accumulative depreciation					
1 January 2022	(3,571)	(6,039)	(93)	–	(9,703)
Charge for the year	(403)	(743)	(7)	–	(1,153)
Sale/disposal	–	392	7	–	399
31 December 2022	(3,974)	(6,390)	(93)	–	(10,457)
Allowance for impairment losses					
1 January 2022	–	–	–	–	–
Charge for the year	–	–	–	–	–
Sale/disposal	–	–	–	–	–
31 December 2022	–	–	–	–	–
Net amount					
1 January 2022	10,763	2,496	43	199	13,501
31 December 2022	11,068	2,757	42	589	14,456

	The Bank				Total
	Houses and buildings	Office supplies and electronic devices	Transportation facilities	Construction in-process	
Original value					
1 January 2021	14,313	8,145	140	126	22,724
Acquisition in the year	23	960	9	73	1,065
Sale/disposal	(2)	(570)	(13)	–	(585)
31 December 2021	14,334	8,535	136	199	23,204
Accumulative depreciation					
1 January 2021	(3,185)	(5,891)	(95)	–	(9,171)
Charge for the year	(386)	(677)	(10)	–	(1,073)
Sale/disposal	–	529	12	–	541
31 December 2021	(3,571)	(6,039)	(93)	–	(9,703)
Allowance for impairment losses					
1 January 2021	–	–	–	–	–
Charge for the year	–	–	–	–	–
Sale/disposal	–	–	–	–	–
31 December 2021	–	–	–	–	–
Net amount					
1 January 2021	11,128	2,254	45	126	13,553
31 December 2021	10,763	2,496	43	199	13,501

- (1) On 31 December 2022, the original value of operating lease assets of Huaxia Financial Leasing Co., Ltd., a subsidiary of the Group was RMB12,938 million (31 December 2021: RMB288 million).
- (2) As at 31 December 2022 and 31 December 2021, the Group has several houses and buildings that are in use but whose registration of title is in process. The Management of the Group expects that relevant formalities will neither affect the Group's succession of the asset rights nor cause adverse impact on its operation.

13. Right-of-use assets

	The Group			
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	Total
Original value				
1 January 2022	8,130	23	1	8,154
Increase in the year	1,800	–	–	1,800
Decrease in the year	(684)	–	–	(684)
Difference from foreign currency translation	–	–	–	–
31 December 2022	9,246	23	1	9,270
Accumulative depreciation				
1 January 2022	(1,794)	(7)	(1)	(1,802)
Increase in the year	(1,911)	(6)	–	(1,917)
Decrease in the year	544	–	–	544
Difference from foreign currency translation	–	–	–	–
31 December 2022	(3,161)	(13)	(1)	(3,175)
Net amount				
1 January 2022	6,336	16	–	6,352
31 December 2022	6,085	10	–	6,095

	The Group			
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	Total
Original value				
1 January 2021	6,494	22	1	6,517
Increase in the year	1,750	1	–	1,751
Decrease in the year	(115)	–	–	(115)
Difference from foreign currency translation	1	–	–	1
31 December 2021	8,130	23	1	8,154
Accumulative depreciation				
1 January 2021	–	–	–	–
Increase in the year	(1,803)	(7)	(1)	(1,811)
Decrease in the year	9	–	–	9
Difference from foreign currency translation	–	–	–	–
31 December 2021	(1,794)	(7)	(1)	(1,802)
Net amount				
1 January 2021	6,494	22	1	6,517
31 December 2021	6,336	16	–	6,352

	The Bank			Total
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	
Original value				
1 January 2022	7,852	23	1	7,876
Increase in the year	1,790	–	–	1,790
Decrease in the year	(684)	–	–	(684)
Difference from foreign currency translation	–	–	–	–
31 December 2022	8,958	23	1	8,982
Accumulative depreciation				
1 January 2022	(1,739)	(7)	(1)	(1,747)
Increase in the year	(1,848)	(6)	–	(1,854)
Decrease in the year	544	–	–	544
Difference from foreign currency translation	–	–	–	–
31 December 2022	(3,043)	(13)	(1)	(3,057)
Net amount				
1 January 2022	6,113	16	–	6,129
31 December 2022	5,915	10	–	5,925

	The Bank			Total
	Houses and buildings	Office supplies and electronic devices	Transportation facilities and others	
Original value				
1 January 2021	6,409	22	1	6,432
Increase in the year	1,546	1	–	1,547
Decrease in the year	(104)	–	–	(104)
Difference from foreign currency translation	1	–	–	1
31 December 2021	7,852	23	1	7,876
Accumulative depreciation				
1 January 2021	–	–	–	–
Increase in the year	(1,747)	(7)	(1)	(1,755)
Decrease in the year	8	–	–	8
Difference from foreign currency translation	–	–	–	–
31 December 2021	(1,739)	(7)	(1)	(1,747)
Net amount				
1 January 2021	6,409	22	1	6,432
31 December 2021	6,113	16	–	6,129

14. Intangible assets

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Original value				
Balance at the beginning of the year	125	112	96	96
Increase in the year	1,717	13	1,702	–
Decrease in the year	–	–	–	–
Difference from foreign currency translation	–	–	–	–
Balance at the end of the year	1,842	125	1,798	96
Accumulative amortization				
Balance at the beginning of the year	(31)	(26)	(25)	(23)
Increase in the year	(40)	(5)	(36)	(2)
Decrease in the year	–	–	–	–
Difference from foreign currency translation	–	–	–	–
Balance at the end of the year	(71)	(31)	(61)	(25)
Allowance for impairment losses				
Balance at the beginning of the year	–	–	–	–
Increase in the year	–	–	–	–
Decrease in the year	–	–	–	–
Difference from foreign currency translation	–	–	–	–
Balance at the end of the year	–	–	–	–
Net value				
Balance at the beginning of the year	94	86	71	73
Balance at the end of the year	1,771	94	1,737	71

15. Deferred taxation

Deferred income tax assets and deferred income tax liabilities are stated as follows in net amounts after offsetting:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred income tax assets	12,838	10,169	11,658	9,217

(1) Changes in balance of deferred income tax assets

	The Group		The Bank	
	2022	2021	2022	2021
Balance at the beginning of the year	10,169	10,155	9,217	9,432
Recorded in profit or loss	1,868	527	1,635	297
Recorded in other comprehensive income	801	(513)	806	(512)
Balance at the end of the year	12,838	10,169	11,658	9,217

(2) Deferred income tax assets and deferred income tax liabilities that are not offset are stated as follows:

	The Group			
	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Allowance for impairment losses on loans	33,346	7,668	28,686	6,607
Wages set aside but not paid	6,742	1,673	6,680	1,658
Allowance for impairment losses on other assets	16,478	4,079	13,522	3,352
Changes in fair value of derivative financial instruments	6,359	1,590	7,882	1,971
Changes in fair value of held-for-trading financial assets	1,573	393	11	2
Changes in fair value of other debt investments	373	93	–	–
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	336	84	78	20
Changes in fair value of other equity instrument investments	1,704	426	1,286	321
Projected liabilities	2,451	613	2,355	586
Others	167	28	824	186
Sub-total	69,529	16,647	61,324	14,703
Deferred income tax liabilities				
Changes in fair value of derivative financial instruments	(7,505)	(1,876)	(8,199)	(2,050)
Changes in fair value of held-for-trading financial assets	(7,716)	(1,930)	(8,136)	(2,035)
Changes in fair value of other debt investments	–	–	(1,758)	(439)
Others	(14)	(3)	(57)	(10)
Sub-total	(15,235)	(3,809)	(18,150)	(4,534)
Net amount	54,294	12,838	43,174	10,169

	The Bank			
	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Allowance for impairment losses on loans	26,511	6,628	22,944	5,739
Wages set aside but not paid	6,505	1,626	6,528	1,632
Allowance for impairment losses on other assets	16,069	4,017	13,231	3,308
Changes in fair value of derivative financial instruments	6,359	1,590	7,882	1,971
Changes in fair value of held-for-trading financial assets	1,564	391	11	2
Changes in fair value of other debt investments	369	92	-	-
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	336	84	78	20
Changes in fair value of other equity instrument investments	1,700	425	1,284	321
Projected liabilities	2,444	611	2,338	584
Others	-	-	650	162
Sub-total	61,857	15,464	54,946	13,739
Deferred income tax liabilities				
Changes in fair value of derivative financial instruments	(7,505)	(1,876)	(8,199)	(2,050)
Changes in fair value of held-for-trading financial assets	(7,716)	(1,930)	(8,129)	(2,033)
Changes in fair value of other debt investments	-	-	(1,756)	(439)
Sub-total	(15,221)	(3,806)	(18,084)	(4,522)
Net amount	46,636	11,658	36,862	9,217

16. Other assets

		The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Receivables and payment on account	(1)	4,360	3,656	1,689	1,769
Operating lease payments advanced		4,543	558	–	–
Construction prepaid		3,665	–	2,712	–
Security deposit paid		3,616	667	1,038	277
Funds to be cleared		724	3,974	729	3,969
Long-term prepaid expenses		1,523	1,373	1,484	1,352
Repossessed assets to be disposed of	(2)	1,081	1,293	1,081	1,293
Interest receivable		1,035	661	1,023	638
Others		2,223	751	2,223	751
Total		22,770	12,933	11,979	10,049

(1) Receivables and payment on account presented by aging

Aging	The Group							
	31 December 2022				31 December 2021			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	4,035	75.37	(233)	3,802	3,063	68.08	(127)	2,936
1 – 2 years (inclusive)	250	4.67	(77)	173	337	7.49	(67)	270
2 – 3 years (inclusive)	140	2.62	(33)	107	129	2.87	(20)	109
More than 3 years	928	17.34	(650)	278	970	21.56	(629)	341
Total	5,353	100.00	(993)	4,360	4,499	100.00	(843)	3,656

Aging	The Bank							
	31 December 2022				31 December 2021			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	1,436	55.42	(197)	1,239	1,243	48.74	(114)	1,129
1 – 2 years (inclusive)	187	7.22	(64)	123	296	11.61	(54)	242
2 – 3 years (inclusive)	129	4.98	(30)	99	129	5.06	(20)	109
More than 3 years	839	32.38	(611)	228	882	34.59	(593)	289
Total	2,591	100.00	(902)	1,689	2,550	100.00	(781)	1,769

(2) Repossessed assets to be disposed of

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Reposessed assets to be disposed of	2,149	2,414	2,149	2,414
Less: Allowance for impairment losses	(1,068)	(1,121)	(1,068)	(1,121)
Book value of reposessed assets to be disposed of	1,081	1,293	1,081	1,293

17. Allowance for impairment losses on credit/assets

	The Group					
	2022					
	Opening balance	Charge/(reversal) for the year	Write-offs and transfer-out for the year	Recovery for the year	Change in exchange rate	Ending balance
Due from banks	73	180	-	-	2	255
Placements with banks and other financial institutions	94	(3)	-	-	1	92
Financial assets purchased under agreements to resell	306	1	-	-	-	307
Loans and advances to customers measured at amortized cost	58,483	27,423	(24,864)	2,611	8	63,661
Loans and advances to customers measured at fair value through other comprehensive income	514	(431)	83	-	-	83
Debt investments	13,444	3,248	(4,057)	4,333	47	17,015
Other debt investments	193	26	-	-	8	227
Others	3,983	234	(137)	2	3	4,085
Total	77,090	30,678	(29,058)	6,946	69	85,725

	The Group					
	2021					
	Opening balance	Charge/(reversal) for the year	Write-offs and transfer-out for the year	Recovery for the year	Change in exchange rate	Ending balance
Due from banks	64	11	-	-	(2)	73
Placements with banks and other financial institutions	91	5	-	-	(2)	94
Financial assets purchased under agreements to resell	306	-	-	-	-	306
Loans and advances to customers measured at amortized cost	55,460	25,626	(25,056)	2,460	(7)	58,483
Loans and advances to customers measured at fair value through other comprehensive income	448	66	-	-	-	514
Debt investments	5,197	9,270	(1,021)	-	(2)	13,444
Other debt investments	149	46	-	-	(2)	193
Others	3,808	301	(126)	1	(1)	3,983
Total	65,523	35,325	(26,203)	2,461	(16)	77,090

The Bank						
2022						
	Opening balance	Charge/(reversal) for the year	Write-offs and transfer-out for the year	Recovery for the year	Change in exchange rate	Ending balance
Due from banks	73	180	–	–	2	255
Placements with banks and other financial institutions	94	(3)	–	–	1	92
Financial assets purchased under agreements to resell	306	1	–	–	–	307
Loans and advances to customers measured at amortized cost	52,384	26,476	(23,821)	2,491	8	57,538
Loans and advances to customers measured at fair value through other comprehensive income	514	(431)	–	–	–	83
Debt investments	13,264	3,148	(4,057)	4,333	47	16,735
Other debt investments	193	26	–	–	8	227
Others	3,905	207	(132)	2	3	3,985
Total	70,733	29,604	(28,010)	6,826	69	79,222

The Bank						
2021						
	Opening balance	Charge/(reversal) for the year	Write-offs and transfer-out for the year	Recovery for the year	Change in exchange rate	Ending balance
Due from banks	64	11	–	–	(2)	73
Placements with banks and other financial institutions	91	5	–	–	(2)	94
Financial assets purchased under agreements to resell	306	–	–	–	–	306
Loans and advances to customers measured at amortized cost	50,344	23,746	(24,146)	2,447	(7)	52,384
Loans and advances to customers measured at fair value through other comprehensive income	448	66	–	–	–	514
Debt investments	5,017	9,270	(1,021)	–	(2)	13,264
Other debt investments	149	46	–	–	(2)	193
Others	3,744	275	(114)	1	(1)	3,905
Total	60,163	33,419	(25,281)	2,448	(16)	70,733

18. Due to central banks

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Mid-term credit facility	93,000	148,300	93,000	148,300
Others	7,284	37	7,283	–
Accrued interest	552	1,377	552	1,377
Total	100,836	149,714	100,835	149,677

Mid-term credit facility refers to the monetary policies tools issued by PBOC to commercial banks and policy banks by means of pledge. On 31 December 2022, the Bank held the facilities for an original term of one to twelve months at the interest rate of 2.75% to 2.85% which was pledged with its bonds worth of RMB99,066 million. On 31 December 2021, the Bank held the facilities for an original term of one to twelve months at the interest rate of 2.95% which was pledged with its bonds worth of RMB155,016 million.

19. Due to banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Due to domestic banks	134,267	87,047	134,344	87,108
Due to other domestic financial institutions	423,928	452,859	430,255	452,955
Accrued interest	1,762	2,122	1,762	2,122
Total	559,957	542,028	566,361	542,185

20. Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Placements from domestic banks	123,207	86,559	24,260	11,286
Placements from overseas banks	33,372	9,851	33,372	9,851
Placements from other domestic financial institutions	9,319	17,000	–	–
Accrued interest	944	506	418	13
Total	166,842	113,916	58,050	21,150

21. Financial assets sold under agreements to repurchase

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	72,295	43,498	72,295	43,498
Bills	1,266	2,984	1,266	2,984
Accrued interest	70	29	70	29
Total	73,631	46,511	73,631	46,511

For details on the Group's assets taken as collateral for repurchase, please see Note XI-5 Collateral.

22. Deposits taken

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Demand deposits				
Corporate deposits	569,550	657,818	568,947	657,179
Personal deposits	137,877	130,790	137,762	130,640
Time deposits				
Corporate deposits	747,659	652,450	747,522	652,287
Personal deposits	337,846	256,893	336,663	255,863
Security deposit received	(1)	268,574	268,467	204,590
Outward remittances and remittances outstanding	2,364	1,699	2,360	1,693
Others	4	9	4	9
Sub-total	2,063,874	1,904,363	2,061,725	1,902,261
Accrued interest	30,795	22,986	30,720	22,926
Total	2,094,669	1,927,349	2,092,445	1,925,187

(1) Security deposit received is presented by item as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Security deposit for bank acceptance	200,827	155,105	200,819	155,088
Security deposit for L/C issuance	43,198	28,913	43,198	28,913
Security deposit for L/G issuance and guarantee	4,212	6,382	4,199	6,364
Other security deposits	20,337	14,304	20,251	14,225
Total	268,574	204,704	268,467	204,590

23. Accrued payroll

The Group				
2022				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Wages and bonuses	6,680	11,497	(11,435)	6,742
Employee welfare	–	454	(454)	–
Social insurance	51	2,511	(2,507)	55
Housing provident fund	11	921	(918)	14
Labor union funds and employee education expense	252	286	(289)	249
Total	6,994	15,669	(15,603)	7,060

The Group				
2021				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Wages and bonuses	6,628	11,937	(11,885)	6,680
Employee welfare	–	451	(451)	–
Social insurance	73	2,143	(2,165)	51
Housing provident fund	8	886	(883)	11
Labor union funds and employee education expense	252	316	(316)	252
Total	6,961	15,733	(15,700)	6,994

The Bank				
2022				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Wages and bonuses	6,528	11,013	(11,036)	6,505
Employee welfare	–	442	(442)	–
Social insurance	39	2,466	(2,461)	44
Housing provident fund	11	901	(898)	14
Labor union funds and employee education expense	235	272	(278)	229
Total	6,813	15,094	(15,115)	6,792

The Bank				
2021				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Wages and bonuses	6,507	11,509	(11,488)	6,528
Employee welfare	–	441	(441)	–
Social insurance	51	2,095	(2,107)	39
Housing provident fund	8	871	(868)	11
Labor union funds and employee education expense	236	304	(305)	235
Total	6,802	15,220	(15,209)	6,813

24. Taxes and dues payable

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Enterprise income tax	5,931	5,264	5,494	4,844
VAT	1,615	1,832	1,594	1,801
Others	471	517	431	463
Total	8,017	7,613	7,519	7,108

25. Lease liabilities

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
No more than 1 year	1,662	1,627	1,609	1,563
1 – 5 years	3,804	3,866	3,707	3,730
Over 5 years	1,130	1,205	1,094	1,162
Total undiscounted lease liabilities	6,596	6,698	6,410	6,455
Lease liabilities	5,982	6,053	5,815	5,835

26. Debt obligations payable

		The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bonds payable					
Financial bonds	(1)	166,000	138,500	160,000	130,000
Tier-2 capital bonds	(2)	30,000	30,000	30,000	30,000
Sub-total		196,000	168,500	190,000	160,000
Certificates of deposit with banks and other financial institutions	(3)	331,911	376,307	331,911	376,307
Accrued interest		2,486	2,441	2,353	2,237
Total		530,397	547,248	524,264	538,544

(1) Financial bonds

- (i) As approved by CBIRC and PBOC, the Bank issued the green financial bond (series 1) of Hua Xia Bank Co., Ltd. for 2020 on 15 April 2020 and the issuance volume was RMB10 billion. The bonds have a term of three years, the coupon rate is fixed at 2.08% and the interest will be paid annually. The value date is 17 April 2020 and the maturity date is 17 April 2023.
- (ii) As approved by CBIRC and PBOC, the Bank issued the MSE loans special financial bond (series 1) of Hua Xia Bank Co., Ltd. for 2020 on 6 August 2020 and the issuance volume was RMB20 billion. The bonds have a term of three years, the coupon rate is fixed at 3.19% and the interest will be paid annually. The value date is 10 August 2020 and the maturity date is 10 August 2023.
- (iii) As approved by CBIRC and PBOC, the Bank issued the financial bond of Hua Xia Bank Co., Ltd. for 2020 on 16 December 2020 and the issuance volume was RMB33 billion. The bonds have a term of three years, the coupon rate is fixed at 3.54% and the interest will be paid annually. The value date is 18 December 2020 and the maturity date is 18 December 2023.
- (iv) As approved by CBIRC and PBOC, the Bank issued the financial bond (series 1) of Hua Xia Bank Co., Ltd. for 2021 on 16 March 2021 and the issuance volume was RMB27 billion. The bonds have a term of three years, the coupon rate is fixed at 3.45% and the interest will be paid annually. The value date is 18 March 2021 and the maturity date is 18 March 2024.
- (v) As approved by CBIRC and PBOC, the Bank issued the financial bond (series 2) of Hua Xia Bank Co., Ltd. for 2021 on 8 November 2021 and the issuance volume was RMB40 billion. The bonds have a term of three years, the coupon rate is fixed at 3.03% and the interest will be paid annually. The value date is 10 November 2021 and the maturity date is 10 November 2024.
- (vi) As approved by CBIRC and PBOC, the Bank issued the financial bond (series 1) of Hua Xia Bank Co., Ltd. for 2022 on 25 February 2022 and the issuance volume was RMB20 billion. The bonds have a term of three years, the coupon rate is fixed at 2.78%, with interest payable annually. The value date is 1 March 2022 and the maturity date is 1 March 2025.
- (vii) As approved by CBIRC and PBOC, the Bank issued the financial bond (series 2) of Hua Xia Bank Co., Ltd. for 2022 on 20 April 2022 and the issuance volume was RMB10 billion. The bonds have a term of three years, the coupon rate is fixed at 2.83%, with interest payable annually. The value date is 22 April 2022 and the maturity date is 22 April 2025.
- (viii) As approved by CBIRC Yunnan Office and PBOC, Huaxia Financial Leasing Co., Ltd., a subsidiary of the Group, issued the financial bond (series 1) for 2020 on 10 September 2020 and the issuance volume was RMB2 billion. The bonds have a term of three years, the coupon rate is fixed at 3.75% and the interest will be paid annually. The value date is 14 September 2020 and the maturity date is 14 September 2023.
- (ix) As approved by CBIRC Yunnan Office and PBOC, Huaxia Financial Leasing Co., Ltd., a subsidiary of the Group, issued the financial bond (series 1) for 2021 on 26 January 2021 and the issuance volume was RMB2 billion. The bonds have a term of three years, the coupon rate is fixed at 3.62% and the interest will be paid annually. The value date is 28 January 2021 and the maturity date is 28 January 2024.
- (x) As approved by CBIRC Yunnan Office and PBOC, Huaxia Financial Leasing Co., Ltd., a subsidiary of the Group, issued the financial bond (series 2) for 2021 on 13 May 2021 and the issuance volume was RMB2 billion. The bonds have a term of three years, the coupon rate is fixed at 3.45% and the interest will be paid annually. The value date is 17 May 2021 and the maturity date is 17 May 2024.

(2) Tier-2 capital bonds

- (i) As approved by CBIRC and PBOC, the Bank issued the Tier 2 capital bond (series 1) of Hua Xia Bank Co., Ltd. for 2022 from 20 to 23 April 2022 and the issuance volume was RMB30 billion. The bond is a 10-year fixed-rate bond attached with the issuer's conditional right to redeem the bond at face value in part or in whole at the end of the fifth year. The coupon rate is fixed at 3.10%. The value date is 25 August 2022. If the issuer does not exercise its redemption right, the interest period of the bond ranges between 25 August 2022 and 24 August 2032. If the issuer does exercise the redemption right, the interest period of the bond for the part redeemed ranges between 25 August 2022 and 24 August 2027.

(3) Certificates of deposit with banks and other financial institutions

As at 31 December 2022, there were 179 outstanding certificates of deposit with banks and financial institutions with the total face value of RMB334,595 million and terms of 1 month to 1 year. Except eight certificates of deposit with banks and other financial institutions issued at fixed rates and paid with interest upon maturity in a sum, others are issued in discount.

27. Projected liabilities

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Credit commitments	2,451	2,355	2,444	2,338
Pending legal proceedings	–	–	–	–
Total	2,451	2,355	2,444	2,338

ECL of loan commitments are classified into three stages:

	31 December 2022				Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
The Group	2,312	45	94		2,451
The Bank	2,305	45	94		2,444

	31 December 2021				Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
The Group	2,345	9	1		2,355
The Bank	2,328	9	1		2,338

28. Other liabilities

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Security deposit for financial lease	4,991	5,826	–	–
On-lending	3,897	3,500	3,897	3,500
Funds to be settled and cleared payable	3,544	1,384	3,543	1,383
Agency collection for asset securitization business	106	186	106	186
Others	8,106	6,820	7,158	6,844
Total	20,644	17,716	14,704	11,913

29. Share capital

	31 December 2022		31 December 2021	
	Total number of shares (million)	Nominal amount	Total number of shares (million)	Nominal amount
A shares with par value of RMB1 per share registered, issued and paid in full amount	15,915	15,915	15,387	15,387

Note: A shares refer to ordinary shares domestically offered, and subscribed and traded in Renminbi.

The Bank issued 527,704,485 RMB ordinary shares (A shares) to Shougang Group and Beijing Infrastructure Investment Co., Ltd. in a private placement this year, raising a total amount of RMB7,999,999,992.60. After deducting related issuance expenses, RMB527,704,485.00 was included in share capital and RMB7,466,330,629.80 included in capital reserve. The additional share capital was verified by the capital verification report (D.SH.B. (Y)Z(22) No. 00443) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP. All subscribers in this non-public offering may not transfer their shares within five years since the date of subscription.

As at 31 December 2022, the Bank's paid-in capital had amounted to RMB15,915 million (31 December 2021: RMB15,387 million), with the par value of each share being RMB1.

30. Other equity instruments

(1) Preference shares

On 23 February 2016, the Bank was approved by CSRC to privately issue up to 200 million domestic preference shares and the par value of each share is RMB100. The offering of preference shares valuing RMB20 billion was completed in March 2016, and the payment of the proceeds has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

Information on outstanding preference shares at the year end:

Outstanding financial instrument	Issuing time	Accounting category	Dividend rate	Issuance price		Amount	Maturity date	Share conversion	
				RMB/share	Million shares			RMB millions	condition
Preference shares	March 2016	Equity instrument	Note 1	100	200	20,000	No maturity day	Note 2	No conversion

Note 1: These preference shares were issued at a dividend rate which can be adjusted for several periods. Every five years is an interest period from the payment deadline, and the dividend rate remains the same in each interest period. The dividend rate for the first interest period was determined as 4.20% by the Board of Directors of the Bank authorized by the Shareholders' General Meeting after taking into account the national policies, market conditions, specific conditions of the Bank, the demands of investors, etc. by way of inquiry. The coupon dividend rate consists of benchmark interest rate and fixed premium. The benchmark interest rate will be adjusted every five years from the deadline for payment of the preference shares. The fixed premium was determined as 1.61% which was the dividend rate of the first interest period 4.20% deducted by the benchmark interest rate 2.59%, and will not be adjusted. In the second dividend rate adjustment period, the value date is 28 March 2021 with a benchmark rate of 3.07% and coupon rate of 4.68%.

Note 2: (1) When the trigger event of other tier-1 capital instruments takes place, i.e. the core tier-1 capital adequacy ratio becomes as low as 5.125% (or below), the Bank is entitled to convert the existing preference shares issued this time to ordinary shares based on the total par value at that time without the approval of preference shareholders so as to recover the Bank's core tier-1 capital adequacy ratio to above 5.125%. If some preference shares are converted, the preference shares issued this time will be converted based on the same ratio and under the same conditions. If the preference shares are converted to ordinary shares, they will not be converted back under any conditions.

(2) When the trigger event of tier-2 capital instruments takes place, the Bank is entitled to convert all the existing preference shares issued this time to ordinary shares based on the total par value at that time without the approval of preference shareholders. If the preference shares are converted to ordinary shares, they will not be converted back under any conditions. The trigger event of tier-2 capital instruments is the earlier one in: (1) CBIRC determines that the issuer will not survive if it does not conduct write-down; and (2) the relevant authorities determine that the issuer will not survive if it does not obtain capital injection from the public sector or the support with the same effect.

Preference shareholders of the Bank take precedence over ordinary shareholders to be distributed the residual properties of the Bank. That is, when the Bank liquidates, the total carrying amount of preference shares that have been issued and are still in existence as well as dividends that have been announced to distributed but not been paid for the period shall be paid firstly to preference shareholders; if not sufficient to pay, such dividends and carrying amount will be paid on the basis of the shareholding ratio of preference shareholders. As at 31 December 2022, the net funds of RMB19,978 million raised by the Bank were all used for replenishing tier-1 capital.

Information on outstanding preference shares:

	1 January 2022		Increase in the year		Decrease in the year		31 December 2022	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
	Million shares	RMB millions	Million shares	RMB millions	Million shares	RMB millions	Million shares	RMB millions
Preference shares	200	20,000	-	-	-	-	200	20,000
Issuing cost		(22)						(22)
Total preference shares	200	19,978					200	19,978

On 28 March 2023, the Bank redeemed all of the above preference shares. For details, please see XV. POST BALANCE SHEET DATE EVENTS.

(2) Perpetual bonds

In June 2019, the Bank publicly issued RMB40 billion of perpetual bond (the "Bond") in the national interbank bond market and completed the Bond registration and custody formalities with China Central Depository & Clearing Co., Ltd. (CCDC).

Information on issued and outstanding perpetual bonds at the year end:

Outstanding financial instrument	Issuing time	Accounting category	Coupon rate	Issuance price		Number	Amount	Maturity date	Write-down clauses
				RMB yuan/ RMB100 par value	Million shares				
Perpetual bonds	June 2019	Equity instrument	Note 1	100	400	40,000	Duration of ongoing concern	Note 2	

Note 1: The Bond will carry a coupon rate adjustable at regular intervals. Starting from the cut-off date for issue payments, every five years will be an interval for coupon rate adjustment. During each interval, interest will be paid at the fixed coupon rate agreed upon. The interest rate is 4.85% in the first interval. The coupon rate of the Bond consists of the benchmark rate and a fixed spread. The benchmark interest rate is the arithmetic mean (rounded to 0.01%) of the ChinaBond 5Y Treasury Bond YTM published by ChinaBond.com (or other website recognized by the CCDC) in the five trading days prior to the publication date of the Bond subscription documents. The fixed spread is the coupon rate determined at the time of this bond issue minus the benchmark rate at the time of this issue. Once determined, the fixed spread will remain constant. The non-cumulative interest payment method is adopted for the bond. The issuer may cancel all or part of the interest payment on the bond without constituting an event of default.

Note 2: (1) When the trigger event of other tier-1 capital instruments takes place, i.e. the issuer's core tier-1 capital adequacy ratio becomes as low as 5.125% (or below), the issuer is entitled, upon the approval by CBIRC and without the consent of bond holders, to write down all or part of the issued and outstanding bond based on the total par value so as to recover the core tier-1 capital adequacy ratio to above 5.125%. In the case of partial write-down, all the bond issued and outstanding and other tier-1 capital instruments of the issuer with a write-down feature under the same terms and conditions are written down in the same proportion of the par value. Before the total par value of the bond is fully written down, the issuer may conduct one or more write-downs so as to recover the core tier-1 capital adequacy ratio to above 5.125%.

(2) When the trigger event of tier-2 capital instruments takes place, the issuer is entitled to write down all the issued and outstanding bonds based on the total par value at that time without the approval of bond holders. The trigger event of tier-2 capital instruments is the earlier one in: 1) CBIRC determines that the issuer will not survive if it does not conduct write-down; and 2) the relevant authorities determine that the issuer will not survive if it does not obtain capital injection from the public sector or the support with the same effect. The bond is permanently terminated upon write-down of its principal and will no longer recover under any conditions.

Information on changes in issued perpetual bonds:

	1 January 2022		Increase in the year		Decrease in the year		31 December 2022	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
	Million shares	RMB millions	Million shares	RMB millions	Million shares	RMB millions	Million shares	RMB millions
Perpetual bonds	400	40,000	-	-	-	-	400	40,000
Issuing cost		(7)						(7)
Total perpetual bonds	400	39,993					400	39,993

Information on items attributable to holders of equity instruments is presented below:

	31 December 2022	31 December 2021
Equity attributable to parent company		
Equity attributable to ordinary shareholders of parent company	260,486	238,321
Equity attributable to other shareholders of parent company	59,971	59,971
Of which: Net profit	2,876	2,780
Distributed profit for the period	(2,876)	(2,780)
Equity attributable to minority shareholders	2,865	2,410
Total shareholders' equity	323,322	300,702

31. Capital reserve

The Group				
2022				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Capital premium	53,291	7,467	–	60,758
Investment by minority shareholders at premium	1	–	–	1
Total	53,292	7,467	–	60,759

The Group				
2021				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Capital premium	53,291	–	–	53,291
Investment by minority shareholders at premium	1	–	–	1
Total	53,292	–	–	53,292

The Bank				
2022				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Capital premium	53,291	7,467	–	60,758

The Bank				
2021				
	Opening balance	Increase in the year	Decrease in the year	Ending balance
Capital premium	53,291	–	–	53,291

The increase in capital reserve this year is the premium of the Bank's ordinary shares placed privately with specified investors in 2022. The reasons for the change in capital reserve in the year are detailed in Note VIII-29.

32. Surplus reserve

The Group and the Bank		
	31 December 2022	31 December 2021
Statutory surplus reserve	21,798	19,636
Discretionary surplus reserve	111	111
Total	21,909	19,747

- (1) According to relevant laws of the People's Republic of China, the Bank must appropriate statutory surplus reserve at 10% of the net profit based on the PRC GAAP until the statutory surplus reserve accumulated to 50% of the share capital. After the statutory surplus reserve is appropriated, the Bank can determine its amount of discretionary surplus reserve on its own upon approval by the Shareholders' General Meeting.
- (2) As at 31 December 2022, statutory surplus reserve accumulatively appropriated by the Bank had exceeded 50% of the share capital and the statutory surplus reserve in excess of 50% shall be subject to approval by the Shareholders' General Meeting.
- (3) For details on surplus reserve, please refer to Note VIII-34 Retained Profit.

33. General risk reserve

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
General risk reserve	47,124	43,631	44,737	42,104

- (1) As at 1 July 2012, the Bank has set aside general risk reserve in accordance with the *Administrative Measures for Reserve Provisioning of Financial Enterprises* (C.J. [2012] No. 20). The general risk reserve is treated as profit distribution and its balance shall not be lower than 1.5% of the ending balance of risk assets in principle.
- (2) For details on surplus reserve, please refer to Note VIII-34 Retained Profit.
- (3) According to the regulatory rules, some subsidiaries of the Bank should appropriate certain amount from the net profit as general risk reserve. Such general risk reserve is treated as profit distribution.

34. Retained profit

(1) Profit distribution for 2022

The profit distribution plan for 2022 that is passed by the Board of Directors and submitted to the Shareholders' General Meeting for approval on 26 April 2023 is as follows:

- (i) Set aside statutory surplus reserve of RMB2,210 million based on the Bank's net profit for 2022 which is RMB22,097 million;
- (ii) Set aside general risk reserve of RMB1,587 million, after which the Bank's balance of general risk reserve reaches 1.5% of the outstanding risk assets on 31 December 2022;
- (iii) Distribute dividends to all ordinary shareholders at the rate of RMB3.83 (pre-tax) per 10 shares, totaling RMB6,095 million, based on the Bank's total ordinary share capital of 15,914,928,468 shares at the end of 2022.

The above profit distribution plan is subject to approval by the Bank's Shareholders' General Meeting. Before that, accounting treatment is not made to the proposed surplus reserve, general risk reserve and dividend distribution.

- (iv) The interest accrual period for preference shares issued in 2016 is from 28 March 2022 to 27 March 2023 (at an annual dividend rate of 4.68%), and the dividends payable for these preference shares are RMB936 million. Dividends on preference shares were paid on 28 March 2023.

The above plan for distribution of dividends of preference shares was approved by the Board of Directors on 14 March 2023.

- (v) The interest accrual period for RMB perpetual bonds issued in June 2019 is from 26 June 2022 to 25 June 2023 (at an interest rate of 4.85%), and the accrued interest is RMB1,940 million.

(2) Profit distribution for 2021

The Bank has implemented the profit distribution plan for 2021 that was approved by the Shareholders' General Meeting on 20 May 2022. Particulars are as follows:

- (i) Set aside statutory surplus reserve of RMB2,162 million based on the Bank's net profit for 2021 which is RMB21,623 million; such statutory surplus has been recorded in the balance sheet of the Group and the Bank dated 31 December 2022;
- (ii) Set aside general risk reserve of RMB2,633 million, after which the Bank's balance of general risk reserve reaches 1.5% of the outstanding risk assets on 31 December 2021; such general risk reserve has been recorded in the balance sheet of the Group and the Bank dated 31 December 2021;
- (iii) Distribute dividends to all ordinary shareholders at the rate of RMB3.38 (pre-tax) per 10 shares, totaling RMB5,201 million, based on the Bank's total ordinary share capital of 15,387,223,983 shares at the end of 2021. The dividend was distributed in 2022.
- (iv) The interest accrual period for preference shares issued in 2016 is from 28 March 2021 to 27 March 2022 (at an annual dividend rate of 4.68%), and the dividends payable for these preference shares are RMB936 million. Dividends on preference shares were paid on 28 March 2022.
- (v) The interest accrual period for RMB perpetual bonds issued in June 2019 is from 26 June 2021 to 25 June 2022 (at an interest rate of 4.85%), and the accrued interest is RMB1,940 million. Such interest was paid on 27 June 2022.

(3) Profit distribution for 2020

The Bank has implemented the profit distribution plan for 2020 that was approved by the Shareholders' General Meeting on 28 May 2021. Particulars are as follows:

- (i) Set aside statutory surplus reserve of RMB1,991 million based on the Bank's net profit for 2020 which is RMB19,914 million; such statutory surplus has been recorded in the balance sheet of the Group and the Bank dated 31 December 2021;
- (ii) Set aside general risk reserve of RMB4,680 million, after which the Bank's balance of general risk reserve reaches 1.5% of the outstanding risk assets on 31 December 2020; such general risk reserve has been recorded in the balance sheet of the Group and the Bank dated 31 December 2021;
- (iii) Distribute dividends to all ordinary shareholders at the rate of RMB3.01 (pre-tax) per 10 shares, totaling RMB4,632 million, based on the Bank's total ordinary share capital of 15,387,223,983 shares at the end of 2020. The dividend was distributed in 2021.
- (iv) The interest accrual period for preference shares issued in 2016 is from 28 March 2020 to 27 March 2021 (at an annual dividend rate of 4.20%), and the dividends payable for these preference shares are RMB840 million. The aforesaid dividends have been distributed in 2021.
- (v) The interest accrual period for RMB perpetual bonds issued in June 2019 is from 26 June 2020 to 25 June 2021 (at an interest rate of 4.85%), and the accrued interest is RMB1,940 million. Such interest was paid on 28 June 2021.

35. Net non-interest income

	The Group		The Bank	
	2022	2021	2022	2021
Interest income				
Loans and advances to customers	107,894	108,726	100,730	100,698
Of which: Corporate loans and advances to customers	66,677	68,813	59,574	60,844
Personal loans and advances to customers	38,631	36,612	38,570	36,553
Discounted bills	2,586	3,301	2,586	3,301
Financial investments	36,035	36,583	35,880	36,474
Of which: Debt investments	29,358	30,576	29,250	30,476
Other debt investments	6,677	6,007	6,630	5,998
Balances with central banks	2,570	2,621	2,568	2,618
Financial assets purchased under agreements to resell	1,861	1,937	1,841	1,914
Placements with banks and other financial institutions	2,840	2,897	3,099	3,044
Due from banks	115	77	69	74
Sub-total	151,315	152,841	144,187	144,822
Interest expense				
Deposits taken	(41,241)	(34,757)	(41,194)	(34,713)
Debt obligations payable	(14,752)	(15,375)	(14,519)	(15,017)
Due to banks and other financial institutions	(11,934)	(13,750)	(11,970)	(13,803)
Due to central banks	(3,626)	(4,151)	(3,625)	(4,149)
Placements from banks and other financial institutions	(4,143)	(3,610)	(1,421)	(770)
Financial assets sold under agreements to repurchase	(1,285)	(1,536)	(1,283)	(1,533)
Others	(41)	(57)	(41)	(57)
Sub-total	(77,022)	(73,236)	(74,053)	(70,042)
Net non-interest income	74,293	79,605	70,134	74,780
Of which: Interest income from impaired financial assets identified	2,114	642	2,100	637

36. Net fee and commission income

	Notes	The Group		The Bank	
		2022	2021	2022	2021
Fee and commission income					
Bank card business		5,229	5,070	5,229	5,070
Agency business	(1)	4,707	4,311	3,589	4,160
Credit commitments		2,243	1,707	2,244	1,707
Custody and other fiduciary services		839	1,181	839	1,181
Other business		1,291	1,119	1,330	1,176
Sub-total		14,309	13,388	13,231	13,294
Fee and commission expenses					
Fee expense	(2)	(3,940)	(4,136)	(4,243)	(4,503)
Net fee and commission income		10,369	9,252	8,988	8,791

(1) The Group provides asset management services for wealth management products. The management fees of wealth management products are recognized to the extent that the uncertainty related to the management fee amount is eliminated and there will be no significant reversal in the future.

The Group distributes financial products for other financial institutions. A performance obligation is established when the customer enters into a contract with the relevant financial institution. The Group usually collects commissions from these financial institutions on a monthly or quarterly basis.

The Group provides underwriting, clearing and settlement services to its customers, and the performance obligation is satisfied at a point in time. The underwriting fee is usually collected within three months following the issuance of securities.

The original terms of contracts between the Group and its customers are mostly shorter than one year, so the remaining performance obligations under such contracts are not disclosed.

(2) Fee and commission expenses mainly include expenses for UnionPay card services, agency settlement, third-party services, etc.

37. Investment loss/(gain)

	The Group		The Bank	
	2022	2021	2022	2021
Held-for-trading financial assets	4,437	3,345	4,412	3,314
Disposal of debt instruments measured at fair value through other comprehensive income	1,644	723	1,635	723
Gains on derecognition of financial assets measured at amortized cost	13	4	13	4
Other equity instrument investments	81	52	81	52
Derivative financial instruments	186	(18)	186	(18)
Long-term equity investments	-	-	-	3
Others	(114)	(38)	(114)	(38)
Sub-total	6,247	4,068	6,213	4,040

In 2022 and 2021, all the net gains on derecognition of financial assets measured at amortized cost came from profits/losses on trading.

38. Gains on changes in fair value

	The Group		The Bank	
	2022	2021	2022	2021
Held-for-trading financial assets	1,898	2,481	1,907	2,474
Derivative financial instruments	260	(66)	260	(66)
Others	3	(5)	3	(5)
Total	2,161	2,410	2,170	2,403

39. Exchange gains

The exchange gains of the Group and the Bank mainly include income from foreign exchange differences and translation differences from foreign currency-denominated currency assets and liabilities and the gains/losses on foreign exchange derivatives.

40. Tax and surcharges

	The Group		The Bank	
	2022	2021	2022	2021
Urban maintenance and construction tax	493	474	473	460
Education fee and surcharges	355	342	341	331
Others	205	212	183	196
Total	1,053	1,028	997	987

41. General and administrative expenses

		The Group		The Bank	
		2022	2021	2022	2021
Staff remuneration and welfare	(1)	15,669	15,733	15,094	15,220
Business expenses	(2)	8,215	8,153	8,165	8,110
Depreciation and amortization		4,380	3,977	4,195	3,858
Total		28,264	27,863	27,454	27,188

(1) Staff remuneration and welfare

	The Group		The Bank	
	2022	2021	2022	2021
Wages and bonuses	11,497	11,937	11,013	11,509
Employee welfare	454	451	442	441
Social insurance	2,511	2,143	2,466	2,095
Housing provident fund	921	886	901	871
Labor union funds and employee education expense	286	316	272	304
Total	15,669	15,733	15,094	15,220

(2) In the general and administrative expenses of the Group and the Bank in 2022, the lease expenses including short-term leases and low-value asset leases stood at RMB204 million (2021: RMB359 million) and RMB202 million (2021: RMB350 million).

42. Impairment losses on credit

	The Group		The Bank	
	2022	2021	2022	2021
Impairment losses of loans and advances to customers	26,992	25,692	26,045	23,812
Impairment losses of due from banks	180	11	180	11
Impairment losses of placements with banks and other financial institutions	(3)	5	(3)	5
Impairment losses of financial assets purchased under agreements to resell	1	–	1	–
Impairment losses of debt investments	3,248	9,270	3,148	9,270
Impairment losses of other debt investments	26	46	26	46
Projected liabilities	91	51	101	39
Others	198	123	179	98
Total	30,733	35,198	29,677	33,281

43. Income tax expense

	The Group		The Bank	
	2022	2021	2022	2021
Current income tax expense	9,961	8,117	9,017	7,435
Deferred income tax expense	(1,868)	(527)	(1,635)	(297)
Total	8,093	7,590	7,382	7,138

Adjustments to income tax expense and accounting profit are presented as follows:

	The Group		The Bank	
	2022	2021	2022	2021
Pre-tax profit	33,583	31,493	29,479	28,761
Income tax at statutory tax rate of 25%	8,396	7,873	7,370	7,190
Tax effect of tax-exempt income	(3,473)	(3,356)	(3,461)	(3,278)
Effect of different tax rates applicable to subsidiaries	(407)	(235)	-	-
Non-deductible expenses and other adjustments	3,577	3,308	3,473	3,226
Total	8,093	7,590	7,382	7,138

44. Other comprehensive income

Changes in other comprehensive income

The Group	2022				
	Opening balance	Amount in the year	Transferred from other comprehensive income to profit or loss	Internal transfer of owner's equity	Ending balance
Other comprehensive income to be classified as profit/loss:					
Changes in fair value of other debt investments	1,758	135	(2,266)	-	(373)
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	(78)	(336)	78	-	(336)
Allowance for credit losses on other debt investments	193	34	-	-	227
Allowance for credit losses on loans and advances to customers measured at fair value through other comprehensive income	514	(431)	-	-	83
Difference from foreign currency translation	6	(11)	-	-	(5)
Income tax influence	(596)	152	546	-	102
Sub-total	1,797	(457)	(1,642)	-	(302)
Other comprehensive income not to be classified as profit/loss:					
Changes in fair value of other equity instrument investments	(1,286)	(918)	-	500	(1,704)
Income tax influence	322	229	-	(126)	425
Total	833	(1,146)	(1,642)	374	(1,581)

The Group	2021				
	Opening balance	Amount in the year	Transferred from other comprehensive income to profit or loss	Internal transfer of owner's equity	Ending balance
Other comprehensive income to be classified as profit/loss:					
Changes in fair value of other debt investments	(315)	156	1,917	–	1,758
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	(129)	(78)	129	–	(78)
Allowance for credit losses on other debt investments	149	44	–	–	193
Allowance for credit losses on loans and advances to customers measured at fair value through other comprehensive income	448	66	–	–	514
Difference from foreign currency translation	–	6	–	–	6
Income tax influence	(38)	(49)	(509)	–	(596)
Sub-total	115	145	1,537	–	1,797
Other comprehensive income not to be classified as profit/loss:					
Changes in fair value of other equity instrument investments	(1,104)	(171)	–	(11)	(1,286)
Income tax influence	275	45	–	2	322
Total	(714)	19	1,537	(9)	833

The Bank	2022				
	Opening balance	Amount in the year	Transferred from other comprehensive income to profit or loss	Internal transfer of owner's equity	Ending balance
Other comprehensive income to be classified as profit/loss:					
Changes in fair value of other debt investments	1,756	137	(2,262)	-	(369)
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	(78)	(336)	78	-	(336)
Allowance for credit losses on other debt investments	193	34	-	-	227
Allowance for credit losses on loans and advances to customers measured at fair value through other comprehensive income	514	(431)	-	-	83
Difference from foreign currency translation	6	(17)	-	-	(11)
Income tax influence	(595)	153	549	-	107
Sub-total	1,796	(460)	(1,635)	-	(299)
Other comprehensive income not to be classified as profit/loss:					
Changes in fair value of other equity instrument investments	(1,284)	(916)	-	500	(1,700)
Income tax influence	321	230	-	(126)	425
Total	833	(1,146)	(1,635)	374	(1,574)

The Bank	2021				
	Opening balance	Amount in the year	Transferred from other comprehensive income to profit or loss	Internal transfer of owner's equity	Ending balance
Other comprehensive income to be classified as profit/loss:					
Changes in fair value of other debt investments	(315)	156	1,915	–	1,756
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	(129)	(78)	129	–	(78)
Allowance for credit losses on other debt investments	149	44	–	–	193
Allowance for credit losses on loans and advances to customers measured at fair value through other comprehensive income	448	66	–	–	514
Difference from foreign currency translation	–	6	–	–	6
Income tax influence	(38)	(47)	(510)	–	(595)
Sub-total	115	147	1,534	–	1,796
Other comprehensive income not to be classified as profit/loss:					
Changes in fair value of other equity instrument investments	(1,095)	(178)	–	(11)	(1,284)
Income tax influence	274	45	–	2	321
Total	(706)	14	1,534	(9)	833

45. Earnings per share

	2022	2021
Net profit attributable to shareholders of the parent company in the year	25,035	23,535
Net profit attributable to ordinary shareholders of the parent company	22,159	20,755
Weighted average ordinary shares in issue (million shares)	15,475	15,387
Basic earnings per share (RMB yuan)	1.43	1.35

The Group has no potential ordinary share issued and outstanding in 2022 or 2021. Thus there is no need to disclose diluted earnings per share.

46. Cash and cash equivalents

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash on hand	2,035	1,842	2,024	1,829
Balances with central banks	21,154	33,426	20,925	33,212
Due from banks, placements with banks and other financial institutions and financial assets purchased under agreements to resell with the original term less than three months	64,518	39,361	64,144	33,115
Total	87,707	74,629	87,093	68,156

47. Supplementary information on the statement of cash flows

	The Group		The Bank	
	2022	2021	2022	2021
Net profit adjusted into cash flows from operating activities:				
Net profit	25,490	23,903	22,097	21,623
Plus: Impairment losses on credit	30,733	35,198	29,677	33,281
Other impairment losses on assets	36	178	28	177
Depreciation of fixed assets	1,160	1,055	1,153	1,050
Depreciation of right-of-use assets	1,917	1,801	1,854	1,745
Amortization of intangible assets	40	5	36	2
Amortization on long-term prepaid expenses	1,263	1,116	1,152	1,061
Interest income from investment and investment gains	(41,038)	(39,552)	(40,850)	(39,430)
Net gains or losses on disposal of fixed assets, intangible assets and other long-term assets	3	8	3	8
Unrealized exchange loss/(gain) and loss/(gain) on changes in fair value	(3,241)	(2,340)	(3,256)	(2,332)
Deferred income tax	(1,868)	(527)	(1,635)	(297)
Interest income from credit-impaired financial assets identified	(2,114)	(642)	(2,100)	(637)
Interest expense on bonds issued	5,954	5,107	5,722	4,749
Interest expenses on lease liabilities	226	231	219	224
Increase of operating receivables	(114,791)	(186,034)	(114,924)	(183,743)
Increase of operating payables	175,205	231,508	165,183	225,329
Net cash flows from operating activities	78,975	71,015	64,359	62,810
Net change of cash and cash equivalents:				
Closing balance of cash and cash equivalents	87,707	74,629	87,093	68,156
Less: Opening balance of cash and cash equivalents	(74,629)	(97,364)	(68,156)	(96,997)
Net change of cash and cash equivalents	13,078	(22,735)	18,937	(28,841)

IX. SEGMENT REPORT

The Group determines the operating segments according to the organizational framework, management requirement and internal reporting system, and on this basis, determines the reporting segments.

An operating segment refers to the component within the Group meeting the following conditions at the same time: (1) such component can generate income and incur expenses in the daily activities; (2) the management of the enterprise can regularly assess the operating results of the component to determine the resources allocated to it and assess its performance; (3) the enterprise can obtain the accounting information relating to the component's financial position, operating results and cash flows.

The Group's reporting segments include the Beijing-Tianjin-Hebei Region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Central and Eastern China, Western China, Northern China and subsidiaries. Particularly speaking:

- (1) Beijing-Tianjin-Hebei Region: Head Office, Credit Card Center, Beijing, Tianjin, Shijiazhuang, Tianjin FTZ and Beijing Municipal Administrative Center;
- (2) Yangtze River Delta: Nanjing, Hangzhou, Shanghai, Wenzhou, Ningbo, Shaoxing, Changzhou, Suzhou, Wuxi, Hefei and Shanghai FTZ;
- (3) Guangdong-Hong Kong-Macao Greater Bay Area: Shenzhen, Guangzhou, Hong Kong and Haikou;
- (4) Central and Eastern China: Jinan, Wuhan, Qingdao, Taiyuan, Fuzhou, Changsha, Xiamen, Zhengzhou and Nanchang;
- (5) Western China: Kunming, Chongqing, Chengdu, Xi'an, Urumqi, Hohhot, Nanning, Yinchuan, Guiyang, Xining and Lanzhou;
- (6) Northeastern China: Shenyang, Dalian, Changchun and Harbin;
- (7) Subsidiaries: Beijing Daxing Hua Xia Rural Bank Co., Ltd., Kunming Chenggong Hua Xia Rural Bank Co., Ltd., Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd, Huaxia Financial Leasing Co., Ltd. and Huaxia Wealth Management Co., Ltd.

When presenting information by operating segment, operating income is divided on the basis of location of branches generating income. Segment assets and capital expenditure are divided by the location of the related assets.

2022	Beijing-Tianjin-Hebei Region	Yangtze River Delta	Guangdong-Hong Kong-Macao Greater Bay Area	Central and Eastern China	Western China	Northeastern China	Subsidiaries	Offset among segments	Total
Operating revenue	34,223	21,428	6,364	12,585	11,411	1,764	6,038	(5)	93,808
Net non-interest income	18,178	21,322	5,910	11,957	11,047	1,720	4,159	-	74,293
Of which:									
Net external interest income	22,936	21,208	4,054	10,317	9,853	1,766	4,159	-	74,293
Segmental net interest income	(4,758)	114	1,856	1,640	1,194	(46)	-	-	-
Net fee and commission income	7,774	25	312	532	320	26	1,385	(5)	10,369
Other net operating income	8,271	81	142	96	44	18	494	-	9,146
Operating expenses	(25,571)	(9,044)	(3,146)	(11,572)	(5,615)	(3,233)	(1,935)	3	(60,113)
Operating profit	8,652	12,384	3,218	1,013	5,796	(1,469)	4,103	(2)	33,695
Net non-operating income	(74)	(11)	10	(3)	(23)	(12)	1	-	(112)
Total profit	8,578	12,373	3,228	1,010	5,773	(1,481)	4,104	(2)	33,583
Supplementary information									
1. Depreciation and amortization expenses	2,017	646	375	554	439	164	185	-	4,380
2. Capital expenditures	3,538	166	73	1,251	93	36	16,797	-	21,954
3. Impairment losses on credit	12,992	3,364	661	7,682	2,646	2,332	1,056	-	30,733
31 December 2022									
Segment assets	3,119,191	907,959	369,707	523,391	448,497	82,971	148,889	(1,713,276)	3,887,329
Undistributed assets									12,838
Total assets									3,900,167
Segment liabilities	2,842,287	896,482	367,328	523,441	444,224	86,193	130,113	(1,713,223)	3,576,845
Undistributed liabilities									-
Total liabilities									3,576,845

2021	Beijing-Tianjin-Hebei Region	Yangtze River Delta	Guangdong-Hong Kong-Macao Greater Bay Area	Central and Eastern China	Western China	Northeastern China	Subsidiaries	Offset among segments	Total
Operating revenue	37,058	21,211	6,348	12,997	11,289	1,601	5,413	(47)	95,870
Net non-interest income	22,403	21,310	6,033	12,529	10,985	1,522	4,823	-	79,605
Of which:									
Net external interest income	24,181	21,520	4,893	11,803	10,555	1,830	4,823	-	79,605
Segmental net interest income	(1,778)	(210)	1,140	726	430	(308)	-	-	-
Net fee and commission income	8,154	(281)	162	395	297	64	503	(42)	9,252
Other net operating income	6,501	182	153	73	7	15	87	(5)	7,013
Operating expenses	(29,321)	(10,951)	(3,391)	(10,339)	(4,918)	(2,755)	(2,658)	1	(64,332)
Operating profit	7,737	10,260	2,957	2,658	6,371	(1,154)	2,755	(46)	31,538
Net non-operating income	(99)	28	4	3	1	(6)	24	-	(45)
Total profit	7,638	10,288	2,961	2,661	6,372	(1,160)	2,779	(46)	31,493
Supplementary information									
1. Depreciation and amortization expenses	1,618	650	359	559	483	189	119	-	3,977
2. Capital expenditures	941	144	74	123	59	19	45	-	1,405
3. Impairment losses on credit	16,352	5,599	1,091	6,610	1,751	1,879	1,916	-	35,198
31 December 2021									
Segment assets	2,991,284	870,167	349,754	525,758	445,925	87,966	134,839	(1,739,575)	3,666,118
Undistributed assets									10,169
Total assets									3,676,287
Segment liabilities	2,732,190	860,734	347,204	524,175	440,790	90,804	119,220	(1,739,532)	3,375,585
Undistributed liabilities									-
Total liabilities									3,375,585

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Related parties

There is no related party that controls or jointly controls the Bank. Other related parties are as follows:

(1) Shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank by the year end

Name of related shareholder	Place of registration	Legal representative/ CEO	Business nature	Registered capital	Shareholding Percentage (%)	Voting rights Percentage (%)
Shougang Group	Beijing	Zhang Gongyan	Industries, construction, geologic exploration, transportation, foreign trade, telecommunication, finance and insurance, scientific research and comprehensive technological service, domestic commerce, public catering, material supply and sales, warehouse, etc.	RMB 28,755 million	21.68	21.68
State Grid Yingda International Holdings Group Ltd.	Beijing	Yang Dongwei	Investment and assets operation and management; assets custody, rendering services for enterprise restructuring, M&A, strategic placement and venture capital investment; investment consultation; and investment advisory	RMB 19.9 billion	19.33	19.33
PICC Property and Casualty Company Limited	Beijing	Miao Jianmin	RMB and foreign currency insurance and related reinsurance; services and consultancy of property insurance and reinsurance; handling relevant business on behalf of insurance institutions; investment and fund application, etc.	RMB 22,243 million	16.11	16.11
Beijing Infrastructure Investment Co., Ltd.	Beijing	Zhang Yanyou	Manufacturing of metro vehicles and equipment; investment and investment management; planning, construction and operation management of metro lines; proprietary and agent import & export business of various commodities and technologies; design and repair of metro vehicles; design and installation of metro equipment; project supervision; property management; real estate development; and design and production of metro ads	RMB 173,159 million	10.86	10.86

(2) Subsidiaries of the Bank

Please refer to Note VII Business Combination and Consolidated Financial Statements.

(3) Other related parties

Other related parties mainly include:

- (i) Key management personnel (directors, supervisors and senior executives), and their close family members;
- (ii) Enterprises controlled or jointly controlled by key management personnel and their close family members;
- (iii) Companies, their subsidiaries and related companies which directors, supervisors and senior executives of the Bank control or can exert significant influence on;
- (iv) State Grid Corporation of China (parent company of State Grid Yingda International Holdings Group Ltd., the related shareholder of the Bank) and its subsidiaries; The People's Insurance Company (Group) of China (parent company of PICC Property and Casualty Company Limited, the related shareholder of the Bank) and its subsidiaries;
- (v) Other incorporated organizations, unincorporated organizations and natural persons exerting significant influence on operation and management of the Bank.

2. Related party transactions

Related party transactions between the Bank and its related parties, whose pricing will be based on general transaction price according to normal commercial terms, shall be subject to the approval of corresponding decision-making institution by transaction type.

(1) Related party transactions with shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank and their subsidiaries

	31 December 2022		31 December 2021	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Due from banks	463	2.53	–	–
Loans and advances to customers	14,592	0.66	16,407	0.76
Financial investments	31,550	2.44	26,189	2.27
Other assets ⁽ⁱⁱⁱ⁾	2,716	11.93	–	–
Liabilities				
Deposits taken	4,418	0.23	5,952	0.31
Due to banks and other financial institutions	1,163	0.21	41	0.01
Off-balance-sheet items				
L/Gs and other payment commitments issued	593	1.93	571	1.75
L/Cs issued	–	–	637	0.41
Bank acceptance drafts	501	0.11	525	0.14
Non-principal-guaranteed wealth management products issued by the Bank	91	0.02	–	–
Capital expenditure commitments ⁽ⁱⁱⁱ⁾	1,808	37.90	–	–

	2022		2021	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Interest income	683	0.45	665	0.44
Interest expense	160	0.21	87	0.12
Fee and commission income	55	0.38	42	0.31
Investment loss/(gain)	379	6.07	570	14.01
General and administrative expenses	41	0.15	47	0.17
Gains/(losses) from the changes in fair value	439	20.31	(119)	4.94

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(ii) The Bank purchased the tailor-made Digital Technology Building from Beijing Shouqiao Innovation Real Estate Co., Ltd. at a price of RMB4.52 billion. As of 31 December 2022, the Company had paid RMB2,712 million of the contract price, and the outstanding amount will be paid in installments according to the progress of project construction, certification and licensing.

(2) Related party transactions with other related legal persons

	31 December 2022		31 December 2021	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Due from banks	773	4.23	–	–
Loans and advances to customers	457	0.02	1,434	0.07
Placements with banks and other financial institutions	1,502	2.62	1,502	1.80
Financial investments	37,874	2.92	3,902	0.34
Other assets	477	2.09	–	–
Liabilities				
Deposits taken	15,924	0.76	9,815	0.51
Due to banks and other financial institutions	1,127	0.20	110	0.02
Placements from banks and other financial institutions	3,453	2.07	–	–
Other liabilities	3	0.01	–	–
Off-balance-sheet items				
L/Gs and other payment commitments issued	6	0.02	5	0.02
L/Cs issued	900	0.53	397	0.25
Bank acceptance drafts	214	0.05	60	0.02
Non-principal-guaranteed wealth management products issued by the Bank	374	0.07	1,046	0.17

	2022		2021	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Interest income	765	0.51	399	0.26
Interest expense	310	0.40	186	0.25
Fee and commission income	57	0.40	42	0.31
Investment loss/(gain)	345	5.52	28	0.69
General and administrative expenses	889	3.15	415	1.49
Gains/(losses) from the changes in fair value	(41)	1.90	–	–

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(3) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including directors, supervisors and senior management members. Directors of the Bank are of the view that related party transactions between key management personnel stated above and the Bank are carried out under normal commercial terms as the same with those with non-related parties.

Remunerations of directors, supervisors and key senior management members received from the Bank are set out below:

	2022	2021
Remunerations	17	17

The final total compensation before tax for Chairman, President, Chairman of the Board of Supervisors, employee supervisors and other senior management members of the Bank is in the process of determination, and the remaining part will be disclosed separately after determination. Nevertheless, the Management of the Group expects that the difference between the above amount and the final compensation amount will not pose material influence on the consolidated financial statements of 2022.

(4) Transactions with related natural persons

As at 31 December 2022, the Bank's balance of loans to related natural persons totaled RMB137.64 million (31 December 2021: RMB163.53 million).

(5) Enterprise annuity

Except the normal fund contribution to enterprise annuity created by the Group and general banking businesses, the Group has no related party transactions in 2022 and 2021.

XI. CONTINGENCIES AND COMMITMENTS

1. Pending legal proceedings

As at 31 December 2022, the claimed amount of pending legal proceedings where the Bank or any of its subsidiaries is the defendant or the third party totaled RMB1,936 million. (31 December 2021: RMB2,009 million). Based on court order or suggestions of legal consultants, the Group has set aside provisions for losses arising from legal proceedings against it. The Management of the Group believes that the final court decision on these legal proceedings will not impose material impact on the Group's financial position or operation.

2. Capital expenditure commitments

	The Group and the Bank	
	31 December 2022	31 December 2021
Capital commitments signed but not confirmed in the financial statements		
Commitment to purchase long-term assets	4,771	1,915

3. Credit commitments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bank acceptance drafts	468,421	384,281	468,617	384,249
L/Cs issued	170,757	155,963	170,757	155,963
L/Gs and other payment commitments issued	30,742	32,665	30,726	32,642
Irrevocable loan commitments	4,881	9,222	4,881	9,222
Unused credit card limit	307,094	265,981	307,094	265,981
Total	981,895	848,112	982,075	848,057

4. Financial lease commitments

On the balance sheet date, the minimum lease payment maturity under the irrevocable financial lease contracts signed by the Group as the leaser is as follows:

	The Group	
	31 December 2022	31 December 2021
Within 1 year	4,259	8,507
1 – 5 years	–	174
Total	4,259	8,681

5. Collateral

(1) Collateral assets

On the balance sheet date, the book value of assets used as collateral for transactions under repurchase agreements is as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	73,592	42,278	73,592	42,278
Bills	1,277	4,010	1,277	4,010
Total	74,869	46,288	74,869	46,288

On 31 December 2022, the book value of financial assets sold under agreements to repurchase of the Group and the Bank was RMB73,631 million (31 December 2021: RMB46,511 million).

In addition, partial bond investment of the Group is used as collateral for third-party lending, time deposits of commercial banks under cash management of the central treasury and mid-term credit facility of PBOC or as collateral according to regulatory requirements. On 31 December 2022, the book value of the above collaterals was RMB237,962 million (31 December 2021: RMB251,423 million).

(2) Collateral received

The Group accepts such pledge as securities in relevant business of purchase under agreements to resell. Some of the securities accepted can be sold or re-used as collateral. On 31 December 2022 and 31 December 2021, the Group and the Bank held neither the pledged assets available for sale in the absence of counterparty's default nor the assets available for re-pledge in other transactions.

6. Government bonds underwriting and redemption

As a member of the underwriter group of savings government bonds of the Ministry of Finance, the Group underwrites and sells savings government bonds as an agent. Holders of savings government bonds may request redemption in advance and the Group is obliged to perform the duty of redemption. The Group is obliged to redeem the principal of the savings government bonds and the interest payable determined according to the early redemption agreement.

On 31 December 2022, the Group was obliged to redeem the savings government bond principal of RMB7,138 million (31 December 2021: RMB7,766 million). The original term of the above savings government bonds ranges from 1 to 5 years. The Management expects that the amount of redemption of these savings government bonds through the Group prior to maturity will not be material.

MOF will not provide fund for the early redemption of these savings government bonds in a timely manner but is obliged to repay the principal and the interest upon maturity or according to documents issued.

7. Entrusted transaction

(1) Entrusted deposits and loans

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Entrusted loans	104,832	149,325	103,712	148,612
Entrusted loan funds	104,832	149,325	103,712	148,612

(2) Entrusted investments

	The Group	
	31 December 2022	31 December 2021
Entrusted investments	513,397	610,054

Entrusted investment means that the Group manages customer assets as entrusted by the non-principal-guaranteed wealth management customer and the investment risk of entrusted assets is taken by the customer.

XIII. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group conducts asset-backed securities transactions during the normal operation. The Group sells part of financial assets to the Special Purpose Trust (SPT), which then issues asset-backed securities to investors. The Group decides whether to combine the special-purpose trusts by taking into the following into full account: whether exercising power over such trusts, whether being entitled to variable returns by participating in the activities relating to such trusts; and whether being able to influence its returns by wielding its power over such trusts.

The Group transferred the related financial assets and nearly all risks (mainly including credit risk, prepayment risk and interest rate risk of the target financial assets) thereof and returns arising from the ownership of such assets to other investors, so the Group derecognized such financial assets. As at the transfer date, the book value of the above securitized/structured financial assets of the Group for 2022 totaled RMB2 billion (2021: RMB10,300 million). As at 31 December 2022 and 31 December 2021, the Group held none of the above securities.

In case that the Group neither transfers nor retains substantially all the risks and rewards related to ownership of the financial asset and it does not waive control over the financial asset, the Group continues to recognize the asset based on the degree of subsequent involvement. The Group retained certain degree of continuing involvement in the transferred financial assets by holding some investments. On 31 December 2022, the value of assets the Group continued to recognize was RMB785 million (31 December 2021: RMB785 million).

Once the SPT established, such part of financial assets shall be discriminated from other assets without SPT when the above financial assets are being transferred. According to relevant transaction documents, in case of dissolution, liquidation, bankruptcy of the Group according to law, assets under the SPT shall not be subject to the liquidation. As the issuance consideration equaled to the book value of the transferred financial assets, the Group did not recognize any gains or losses from the transfer of such assets. The Group will charge certain fees as financial assets service provider subsequently. Please see Note XIII Structured Entities.

Repurchase agreements

A repurchase agreement means a deal in which the Group sells a financial asset while agreeing with the counterparty to buy back the asset (or substantially the same financial asset) at fixed price on a specified date in the future. As the buy-back price is fixed, the Group still takes nearly all the risk and return related to the ownership of the sold asset and thus the asset is not derecognized in financial statements. The Group recognizes a financial liability for the received consideration and records it as financial asset sold under agreements to repurchase at the same time.

For the book value of bond assets and bill assets sold by the Group under repurchase agreements as at 31 December 2022 and 31 December 2021, please see Note XI-5(1).

Credit assets transfer

In 2022, the Group disposed of loans with a book value of RMB5,636 million via transfer to third parties (2021: RMB7,104 million). The Group has transferred almost all the risk and return relating to the ownership of the above loans, and therefore they have been derecognized.

XI. STRUCTURED ENTITIES

1. Interests and rights enjoyed in structured entities sponsored excluded from the consolidated financial statements

1.1 Interests and rights enjoyed in structured entities sponsored by the Group but excluded in the consolidated financial statements

Structured entities sponsored by the Group but excluded in the consolidated financial statements mainly include asset-backed securities and non-principal-guaranteed wealth management products issued by the Bank. The nature and purpose of these structured entities are to manage investors' assets and charge management fees. They raise funds by issuing investment products to investors.

As at the date of the balance sheet, the amount of unconsolidated structured entities sponsored by the Group and rights and interests therefrom are listed as follows:

The Group

	31 December 2022				
	Sponsor amount/ Product balance	Book value	Maximum loss exposure	Income from structured entities in the year	Major income type
Asset-backed securities	2,000	–	–	67	Fee income
Non-principal-guaranteed wealth management products	513,397	1,275	1,275	3,368	Fee income, investment income and loss/(gain) on changes in fair value
Total	515,397	1,275	1,275	3,435	

	31 December 2021				
	Sponsor amount/ Product balance	Book value	Maximum loss exposure	Income from structured entities in the year	Major income type
Asset-backed securities	10,300	–	–	101	Fee income
Non-principal-guaranteed wealth management products	610,054	N/A	N/A	2,832	Fee income
Total	620,354	–	–	2,933	

As at 31 December 2022 and 31 December 2021, the Group provided no financial or other supports to structured entities excluded in the consolidated financial statements. It also has no plan to do so.

1.2 Rights and interests enjoyed in structured entities sponsored by third-party institutions

The Group enjoys rights and interests in structured entities sponsored by third-party institutions by directly holding investments. These structured entities mainly include asset-backed securities, wealth management products, financial institutions' asset management plans, fund investments and beneficiary rights of assets, whose nature and purpose are to manage investors' assets and charge management fees. They raise funds by issuing investment products to investors.

The book value and maximum loss exposure of rights and interests enjoyed by the Group in structured entities sponsored by third-party institutions by directly holding investments are presented as follows:

The Group	31 December 2022			
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Asset-backed securities	–	1,157	19,938	21,095
Asset management plan of financial institutions	130,063	123,916	–	253,979
Fund investments	147,778	–	–	147,778
Beneficiary rights of assets and others	1,883	16,831	–	18,714
Total	279,724	141,904	19,938	441,566

The Group	31 December 2021			
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Asset-backed securities	–	1,554	25,261	26,815
Asset management plan of financial institutions	62,787	145,348	–	208,135
Fund investments	128,811	–	–	128,811
Beneficiary rights of assets and others	2,819	13,355	–	16,174
Total	194,417	160,257	25,261	379,935

Note: On 31 December 2022 and 31 December 2021, asset-backed securities were included in financial institution bonds under Note VIII-8 Debt Investments and financial institution bonds and bonds of public entities and quasi-governments under Note VIII-9 Other Debt Investments.

2. Consolidated structured entities

Consolidated structured entities of the Group are ABS trust plans. As the Group has power over such structured entities and is entitled to variable return by participating the relevant activities and able to influence the return amount through its right on the investee, the Group has control over such structured entities. The Group provided no financial support for consolidated structured entities.

XIV. RISK MANAGEMENT

1. Overview

The Group mainly faces credit risk, market risk and liquidity risk. Market risk includes exchange rate risk, interest rate risk and other price risks.

2. Risks management framework

The Management of the Group is responsible for determining the overall risk appetite, and reviewing and approving the risk management objectives and strategies of the Group.

The risk management framework includes the following: The Group keeps improving its organizational structure for risk management organization structure that covers all types of business and risks, with clear responsibilities and effective checks and balances. The Board of Directors, the Board of Supervisors and the Senior Management assume the ultimate responsibility, supervisory responsibility and implementation responsibility for comprehensive risk management, respectively. The business departments, risk and compliance management departments audit departments play their respective roles to ensure that the “three lines of defense” for risk management are full-functioning to prevent and control risks through the business process.

3. Credit risk

3.1 Credit risk management

Credit risk refers to the possibility of loss and uncertainty of income caused by customer default or decreased credit standing to a commercial bank, when the bank operates credit, inter-bank lending and investment businesses. The credit risk of the Group mainly exists in the on-balance-sheet and off-balance-sheet businesses including loans and advances to customers, placements with banks and other financial institutions, interbank lending, bond investments, bill acceptance, letters of credit, and letters of guarantee. The credit risk management process of the Group confirms and manages the above risks by mainly focusing on pre-loan due diligence, credit rating, loan approval, loan-granting management, post-lending monitoring and loan collection management procedure.

Before granting credit to a single customer, the Group will conduct credit appraisal first and regularly inspect the credit limit granted. The means for credit risk mitigation include acquisition of collaterals and warranty. As for the off-balance-sheet businesses, the Group will charge security deposit in corresponding proportion based on the credit status of customers and business risk level to reduce the credit risk.

The Group classifies loans and advances to customers into five categories, namely pass, special – mention, substandard, doubtful and loss. The last three categories are deemed as non-performing loans (NPLs). Loan impairment is mainly determined by the possibility of repayment and recovery of principal and interest. Major assessment factors include repayment ability, credit record, repayment willingness, profitability of loan project, guarantee or mortgage measures and legal liability for loan repayment of the borrower. The Group measures and sets aside allowance for impairment losses using the ECL model method.

According to the guidelines of CBIRC on loan risk classification, the definitions of the Group's five-tier classifications of loans and advances to customers are listed as below:

- Pass: The borrower is able to perform the loan clauses and there is no reason for doubting the timely and full-amount repayment of loan principal and interest;
- Special-mention: Though the borrower is capable of repaying the loans at present, there are factors that are likely to adversely influence the repayment;
- Substandard: The repayment ability of the borrower is obviously doubtful and its normal operating income can't be fully relied on to repay the principal and interest. Even if guarantee or mortgage measures are taken, there still might be certain loss;
- Doubtful: The borrower can't repay the principal and interest in full amount. Even if guarantee or mortgage measures are taken, there must be material loss;
- Loss: The principal or interest cannot be recovered or only a small portion can be recovered after the Group takes all possible measures and resorts to all necessary legal proceedings.

Measurement of expected credit loss

As from 1 January 2019, the Group measures the credit losses on debt instruments-related financial assets measured at amortized cost and those measured at fair value through other comprehensive income using the “ECL Model” in accordance with the New Financial Instrument Standards.

For financial assets subject to ECL measurement, the Group assesses whether the credit risk of relevant financial assets has increased significantly since initial recognition and uses the “three-stage” impairment model to measure their allowance for impairment losses respectively and recognize the ECL and its changes:

Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition, their ECL amount over the next 12 months should be recognized;

Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition, but there is no objective evidence of impairment, their ECL amount over the remaining life should be recognized;

Stage 3: For financial assets that have objective evidence of impairment on the balance sheet date, their ECL amount over the remaining life should be recognized.

Risk grouping

The Group classifies credit risk exposure into risk groups based on credit risk characteristics such as product type, customer type, customer industry and market distribution. Non-retail business risks are grouped into “transportation, manufacturing, construction, real estate, wholesale and retail, financials, services and other industries”. Retail business risks are grouped into “residential mortgages, personal consumption loans, personal business loans, other personal loans, credit card (qualifying revolving retail) and others”.

Significant increase in credit risk

The Group monitors all financial assets that meet impairment requirements to assess whether their credit risk has increased significantly or not since initial recognition. If the credit risk has increased significantly, the Group will measure allowance for impairment losses according to lifetime ECL rather than 12-month ECL.

If a financial instrument triggers one or more of the following criteria, the Group deems that the financial instrument has had a significant increase in credit risk:

- i. The principal or interest is overdue for more than 30 days;
- ii. The credit transaction is risk-classified as special mention;
- iii. The debtor has undergone a deterioration in key financial indicators, with a marked rise in default risk;
- iv. The credit risk has increased significantly in other circumstances.

Default and credit impairment

Where a financial instrument meets one or more of the following conditions, the Group will define the financial asset as credit-impaired:

- i. The principal or interest is overdue for more than 90 days;
- ii. The debtor goes bankrupt or suffers serious financial difficulties, expected to incur a major loss;
- iii. The financial asset is classified by risk category as Substandard, Doubtful or Loss; or
- iv. Other objective evidences indicating impairment of the financial assets.

The financial instrument in Stage 1 that has experienced significant deterioration in credit risk should be moved to Stage 2. The financial instrument in Stage 2 can move back to Stage 1 if it has improved to the extent of no longer showing significant deterioration in credit risk. The financial instrument in Stage 3 cannot be moved directly to Stage 1.

Parameters of ECL measurement

According to whether credit risk has increased significantly and whether the asset has been credit-impaired or not, the Group measures allowance for impairment losses for different assets at an amount equal to 12-month or lifetime ECL. Relevant terms are defined as follows:

- i. Probability of default means the likelihood that the borrower will be unable to meet its debt obligations in the coming 12 months or remaining lifetime;
- ii. Loss given default means the Group's projected level of loss on exposure at the time of default. LGD varies with the type of counterparty, the way and priority of recourse and availability of collateral and other credit enhancements. LGD is the loss expressed as a percentage of total exposure at the time of default, which is measured based on the coming 12 months or lifetime;
- iii. Exposure at default means the total amount of projected exposure of on-balance-sheet and off-balance-sheet items at the time of default. It reflects the total amount of possible losses. EAD generally includes used balance of credit, outstanding interest receivable and expected drawdown of unused credit limit and related possible expenses.

The Group has grouped exposures with similar risk characteristics into different categories to estimate the PD, LGD and EAD separately. The Group has acquired sufficient information to ensure their statistical reliability. The Group regularly monitors and back-tests the model rating outcomes according to actual defaults and losses of customers.

Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort to measure ECL. The Group uses historical data on macroeconomic indicators and systemic factors and establishes the relationship between macroeconomic indicators or systemic factors and actual default rate using statistical methods, so as to adjust the default rate parameters of the expected loss model. The macroeconomic indicators or systemic factors used by the Group includes macro indicators such as gross domestic product (GDP), consumer price index (CPI) and producer price index (PPI). According to the predicted values of relevant indicators, the relationship between the macroeconomic indicators or systemic factors and actual default rate is established and different scenario weights are set to adjust the impact on the expected credit losses. The expected credit loss calculation involves forward-looking information.

In 2022, the significant macroeconomic assumptions used by the Group in various macroeconomic scenarios included the quarterly year-on-year growth rate of GDP, cumulative year-on-year growth rate of GDP, CPI and PPI. When it comes to the quarterly year-on-year growth rate of GDP, its average forecast was about 4.07% under the baseline scenario at the end of 2022, which is 0.93 percentage point higher than that under the optimistic scenario and 0.29 percentage point lower than the forecast under the pessimistic scenario.

The Group determine economic forecasts and their weights under a variety of scenarios in the light of statistical analysis and expert judgment. The economic scenarios determined include baseline, optimistic and pessimistic scenarios, with stress scenarios also considered. In 2022, the baseline scenarios had the biggest weight, with other scenarios weighted between 28% and 34%. The Group measures the allowance for impairment losses according to the expected credit losses weighted by different scenarios.

The Group conducts sensitivity analysis on the major economic indicators used in the forward-looking information. When the predicted value of a major economic indicator changes by 10%, the expected credit loss changes by no more than 5% of the current expected credit loss measurement.

3.2 Maximum credit risk exposure

Without regard to the available collaterals or other credit enhancement measures, the amounts of the maximum credit exposure on the balance sheet date are presented as follows:

	The Group	
	31 December 2022	31 December 2021
Balances with central banks	173,348	184,332
Due from banks	18,277	17,703
Placements with banks and other financial institutions	57,234	83,263
Derivative financial assets	7,505	8,199
Financial assets purchased under agreements to resell	58,442	18,390
Loans and advances to customers	2,217,691	2,162,966
Held-for-trading financial assets	78,585	40,340
Debt investments	680,111	718,266
Other debt investments	248,105	196,272
Other financial assets	17,943	9,516
Sub-total	3,557,241	3,439,247
Off-balance-sheet credit risk exposure	983,703	854,438
Total	4,540,944	4,293,685

	The Bank	
	31 December 2022	31 December 2021
Balances with central banks	173,013	184,010
Due from banks	17,859	17,680
Placements with banks and other financial institutions	63,234	91,772
Derivative financial assets	7,505	8,199
Financial assets purchased under agreements to resell	58,442	12,611
Loans and advances to customers	2,106,464	2,043,989
Held-for-trading financial assets	78,585	40,340
Debt investments	677,795	715,904
Other debt investments	245,922	194,698
Other financial assets	7,191	6,653
Sub-total	3,436,010	3,315,856
Off-balance-sheet credit risk exposure	979,631	845,719
Total	4,415,641	4,161,575

The Group will adopt a series of policies and credit enhancement measures to reduce the credit risk exposure to an acceptable level. Common methods include asking the borrower to pay security deposit or providing collaterals or warranty. The amount and type of collaterals required by the Group depend on the assessment of the credit risk of the counterparty. As for the type and assessment parameters of collaterals, the Group has formulated relevant guidelines and it takes the acceptable type and its value as the specific implementation standard.

The types of collaterals accepted by the Group are as follows:

- (1) Reverse repurchase transactions: bills, bonds, etc.;
- (2) Corporate loans: house property, machinery equipment, land use rights, certificate of deposits and equity, etc.; and
- (3) Personal loan: house property and certificate of deposits, etc.

The Management regularly inspects the value of collaterals and requires the counterparty to increase the collaterals if necessary.

3.3 Derivative financial instruments

The credit risk of derivative financial instruments of the Group lies in whether the counterparty is able to make payments timely in line with the contract. As for the evaluation and control standard for credit risk of derivative financial instruments, the Group applied the same risk control standard with the other transactions.

3.4 Off-balance-sheet business risk

The Group includes the off-balance-sheet business into unified credit management. As for the off – balance-sheet businesses such as bank acceptance drafts, L/Cs and L/Gs, the Bank requires authentic trading background, charges security deposit in corresponding proportion based on the credit status of customers and business risk level, and requires effective guarantee for the remaining parts. The Group strictly controls financing L/Gs and other high-risk off-balance-sheet businesses.

3.5 Credit quality of financial instruments subject to impairment assessment

Allowances for impairment losses on financial assets measured at fair value through other comprehensive income are not included in book value.

The Group	31 December 2022				Allowance for impairment losses	Book value
	Stage 1	Stage 2	Stage 3			
Financial assets measured at amortized cost:						
Balances with central banks	173,348	–	–	–	–	173,348
Due from banks	18,527	–	5	(255)		18,277
Placements with banks and other financial institutions	57,243	–	83	(92)		57,234
Financial assets purchased under agreements to resell	58,443	–	306	(307)		58,442
Loans and advances to customers measured at amortized cost	2,054,423	83,228	40,970	(63,661)		2,114,960
Debt investments	651,531	25,474	20,121	(17,015)		680,111
Other financial assets	16,193	912	3,856	(3,018)		17,943
Sub-total	3,029,708	109,614	65,341	(84,348)		3,120,315
Financial assets measured at fair value through other comprehensive income:						
Loans and advances to customers measured at fair value through other comprehensive income	102,731	–	–	(83)		102,731
Other debt investments	248,105	–	–	(227)		248,105
Sub-total	350,836	–	–	(310)		350,836
Off-balance-sheet items	984,027	1,487	640	(2,451)		983,703
Total	4,364,571	111,101	65,981	(87,109)		4,454,854

31 December 2021

The Group	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Book value
Financial assets measured at amortized cost:					
Balances with central banks	184,332	–	–	–	184,332
Due from banks	17,771	–	5	(73)	17,703
Placements with banks and other financial institutions	83,278	–	79	(94)	83,263
Financial assets purchased under agreements to resell	18,390	–	306	(306)	18,390
Loans and advances to customers measured at amortized cost	1,961,423	78,516	39,757	(58,483)	2,021,213
Debt investments	691,513	15,832	24,365	(13,444)	718,266
Other financial assets	7,075	475	3,941	(1,975)	9,516
Sub-total	2,963,782	94,823	68,453	(74,375)	3,052,683
Financial assets measured at fair value through other comprehensive income:					
Loans and advances to customers measured at fair value through other comprehensive income	141,753	–	–	(514)	141,753
Other debt investments	196,272	–	–	(193)	196,272
Sub-total	338,025	–	–	(707)	338,025
Off-balance-sheet items	855,764	780	249	(2,355)	854,438
Total	4,157,571	95,603	68,702	(77,437)	4,245,146

31 December 2022

The Bank	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Book value
Financial assets measured at amortized cost:					
Balances with central banks	173,013	–	–	–	173,013
Due from banks	18,109	–	5	(255)	17,859
Placements with banks and other financial institutions	63,243	–	83	(92)	63,234
Financial assets purchased under agreements to resell	58,443	–	306	(307)	58,442
Loans and advances to customers measured at amortized cost	1,952,013	69,691	39,567	(57,538)	2,003,733
Debt investments	649,835	24,574	20,121	(16,735)	677,795
Other financial assets	7,948	897	1,263	(2,917)	7,191
Sub-total	2,922,604	95,162	61,345	(77,844)	3,001,267
Financial assets measured at fair value through other comprehensive income:					
Loans and advances to customers measured at fair value through other comprehensive income	102,731	–	–	(83)	102,731
Other debt investments	245,922	–	–	(227)	245,922
Sub-total	348,653	–	–	(310)	348,653
Off-balance-sheet items	979,948	1,487	640	(2,444)	979,631
Total	4,251,205	96,649	61,985	(80,598)	4,329,551

31 December 2021

The Bank	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Book value
Financial assets measured at amortized cost:					
Balances with central banks	184,010	–	–	–	184,010
Due from banks	17,748	–	5	(73)	17,680
Placements with banks and other financial institutions	91,787	–	79	(94)	91,772
Financial assets purchased under agreements to resell	12,611	–	306	(306)	12,611
Loans and advances to customers measured at amortized cost	1,841,373	74,209	39,038	(52,384)	1,902,236
Debt investments	688,971	15,832	24,365	(13,264)	715,904
Other financial assets	4,467	466	3,634	(1,914)	6,653
Sub-total	2,840,967	90,507	67,427	(68,035)	2,930,866
Financial assets measured at fair value through other comprehensive income:					
Loans and advances to customers measured at fair value through other comprehensive income	141,753	–	–	(514)	141,753
Other debt investments	194,698	–	–	(193)	194,698
Sub-total	336,451	–	–	(707)	336,451
Off-balance-sheet items	847,028	780	249	(2,338)	845,719
Total	4,024,446	91,287	67,676	(71,080)	4,113,036

3.6 Loans and advances to customers

(1) The Loans and advances to customers are distributed by industry as follows:

Industry	The Group			
	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Leasing and commercial services	427,358	18.80	408,692	18.46
Manufacturing	210,406	9.26	190,744	8.62
Water conservancy, environment and public facilities management	152,195	6.70	165,691	7.48
Wholesale and retail	136,321	6.00	137,672	6.22
Real estate	104,663	4.60	125,953	5.69
Construction industry	104,118	4.58	100,084	4.52
Electric power, heat, gas and water production and supply industry	63,635	2.80	62,844	2.84
Transportation, warehousing and post industry	59,747	2.63	53,069	2.40
Mining industry	30,196	1.33	31,258	1.41
Other corporate industries	157,072	6.91	150,658	6.81
Discounted bills	120,261	5.29	136,564	6.17
Personal loans	707,001	31.10	650,300	29.38
Total	2,272,973	100.00	2,213,529	100.00

Industry	The Bank			
	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Leasing and commercial services	409,232	18.98	399,574	19.13
Manufacturing	205,730	9.54	188,539	9.03
Wholesale and retail	134,456	6.24	136,178	6.52
Water conservancy, environment and public facilities management	109,169	5.06	103,544	4.96
Real estate	104,635	4.85	125,953	6.03
Construction industry	101,869	4.73	98,872	4.73
Transportation, warehousing and post industry	44,115	2.05	39,278	1.88
Electric power, heat, gas and water production and supply industry	42,419	1.97	39,675	1.90
Mining industry	27,633	1.28	28,570	1.37
Other corporate industries	154,138	7.16	146,326	7.01
Discounted bills	120,261	5.58	136,564	6.54
Personal loans	701,982	32.56	645,395	30.90
Total	2,155,639	100.00	2,088,468	100.00

For breakdown of personal loans, please see Note VIII-6(1).

(2) The loans and advances to customers are distributed by region as follows:

Regions	The Group			
	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Yangtze River Delta	661,870	29.12	617,129	27.88
Beijing-Tianjin-Hebei Region	560,897	24.68	569,468	25.73
Central and Eastern China	345,359	15.19	339,472	15.34
Western China	284,960	12.54	282,174	12.75
Guangdong – Hong Kong – Macao Greater Bay Area	242,127	10.65	219,037	9.89
Northeastern China	60,426	2.66	61,188	2.76
Subsidiaries	117,334	5.16	125,061	5.65
Total	2,272,973	100.00	2,213,529	100.00

Regions	The Bank			
	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Yangtze River Delta	661,870	30.71	617,129	29.55
Beijing-Tianjin-Hebei Region	560,897	26.02	569,468	27.27
Central and Eastern China	345,359	16.02	339,472	16.25
Western China	284,960	13.22	282,174	13.51
Guangdong – Hong Kong – Macao Greater Bay Area	242,127	11.23	219,037	10.49
Northeastern China	60,426	2.80	61,188	2.93
Total	2,155,639	100.00	2,088,468	100.00

(3) The loans and advances to customers are distributed by collateral as follows:

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Unsecured loans	563,093	514,475	537,784	487,758
Guaranteed loans	672,486	645,243	587,465	553,518
Collateral loans	1,037,394	1,053,811	1,030,390	1,047,192
Of which: Mortgage loans	735,100	728,974	729,867	724,902
Pledged loans	302,294	324,837	300,523	322,290
Total	2,272,973	2,213,529	2,155,639	2,088,468

(4) Overdue loans

	The Group				
	31 December 2022				
	Overdue for 1 day to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	5,302	4,861	2,568	1,015	13,746
Guaranteed loans	2,514	3,398	4,863	1,509	12,284
Mortgage loans	2,728	4,246	5,587	1,586	14,147
Pledged loans	353	830	701	375	2,259
Total	10,897	13,335	13,719	4,485	42,436

The Group					
31 December 2021					
	Overdue for 1 day to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	3,209	6,745	2,235	421	12,610
Guaranteed loans	4,281	4,275	5,123	1,725	15,404
Mortgage loans	2,045	4,688	3,420	893	11,046
Pledged loans	687	283	1,009	518	2,497
Total	10,222	15,991	11,787	3,557	41,557

The Bank					
31 December 2022					
	Overdue for 1 day to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	3,508	4,447	2,569	1,015	11,539
Guaranteed loans	2,327	3,212	4,333	1,508	11,380
Mortgage loans	2,701	4,236	5,575	1,586	14,098
Pledged loans	353	830	695	375	2,253
Total	8,889	12,725	13,172	4,484	39,270

The Bank					
31 December 2021					
	Overdue for 1 day to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	3,209	6,745	2,235	421	12,610
Guaranteed loans	3,586	4,258	5,122	1,725	14,691
Mortgage loans	2,032	4,679	3,410	893	11,014
Pledged loans	682	283	1,007	518	2,490
Total	9,509	15,965	11,774	3,557	40,805

Note: If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

(5) Credit quality of loans and advances to customers

The Group					
31 December 2022					
	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Amount at year end
Loans and advances to customers measured at amortized cost					
Corporate loans and advances to customers	1,356,002	76,928	30,311	(46,001)	1,417,240
Personal loans and advances to customers	690,368	5,974	10,659	(17,660)	689,341
Sub-total:	2,046,370	82,902	40,970	(63,661)	2,106,581
Loans and advances to customers measured at fair value through other comprehensive income					
Corporate loans and advances to customers	102,731	–	–	(83)	102,731
Total	2,149,101	82,902	40,970	(63,744)	2,209,312

The Group					
31 December 2021					
	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Amount at year end
Loans and advances to customers measured at amortized cost					
Corporate loans and advances to customers	1,319,794	73,380	28,302	(40,565)	1,380,911
Personal loans and advances to customers	634,002	4,843	11,455	(17,918)	632,382
Sub-total:	1,953,796	78,223	39,757	(58,483)	2,013,293
Loans and advances to customers measured at fair value through other comprehensive income					
Corporate loans and advances to customers	141,753	–	–	(514)	141,753
Total	2,095,549	78,223	39,757	(58,997)	2,155,046

The Bank					
31 December 2022					
	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Amount at year end
Loans and advances to customers measured at amortized cost					
Corporate loans and advances to customers	1,258,515	63,483	28,928	(40,019)	1,310,907
Personal loans and advances to customers	685,423	5,920	10,639	(17,519)	684,463
Sub-total:	1,943,938	69,403	39,567	(57,538)	1,995,370
Loans and advances to customers measured at fair value through other comprehensive income					
Corporate loans and advances to customers	102,731	–	–	(83)	102,731
Total	2,046,669	69,403	39,567	(57,621)	2,098,101

The Bank					
31 December 2021					
	Stage 1	Stage 2	Stage 3	Allowance for impairment losses	Amount at year end
Loans and advances to customers measured at amortized cost					
Corporate loans and advances to customers	1,204,643	69,082	27,595	(34,583)	1,266,737
Personal loans and advances to customers	629,119	4,833	11,443	(17,801)	627,594
Sub-total:	1,833,762	73,915	39,038	(52,384)	1,894,331
Loans and advances to customers measured at fair value through other comprehensive income					
Corporate loans and advances to customers	141,753	–	–	(514)	141,753
Total	1,975,515	73,915	39,038	(52,898)	2,036,084

Impairment of loans and advances to customers measured at fair value through other comprehensive income does not affect their book value.

Credit-impaired loans and advances to customers

The Group			
31 December 2022			
	Corporate loans and advances to customers	Personal loans and advances to customers	Total
Original value of credit-impaired loans	30,311	10,659	40,970
Less: Allowance for impairment losses	(21,046)	(9,238)	(30,284)
Book value	9,265	1,421	10,686
Collateral value	29,384	8,158	37,542

The Group			
31 December 2021			
	Corporate loans and advances to customers	Personal loans and advances to customers	Total
Original value of credit-impaired loans	28,302	11,455	39,757
Less: Allowance for impairment losses	(17,107)	(10,278)	(27,385)
Book value	11,195	1,177	12,372
Collateral value	23,411	7,270	30,681

The Bank			
31 December 2022			
	Corporate loans and advances to customers	Personal loans and advances to customers	Total
Original value of credit-impaired loans	28,928	10,639	39,567
Less: Allowance for impairment losses	(20,116)	(9,226)	(29,342)
Book value	8,812	1,413	10,225
Collateral value	29,323	8,113	37,436

The Bank			
31 December 2021			
	Corporate loans and advances to customers	Personal loans and advances to customers	Total
Original value of credit-impaired loans	27,595	11,443	39,038
Less: Allowance for impairment losses	(16,474)	(10,271)	(26,745)
Book value	11,121	1,172	12,293
Collateral value	23,243	7,242	30,485

3.7 Credit quality of debt instruments

	The Group			
	31 December 2022			
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Government bonds	16	281,780	37,673	319,469
Bonds of public entities and quasi-governments	1,173	89,917	117,044	208,134
Bonds of financial institutions	7,676	21,610	56,665	85,951
Corporate bonds	52,085	84,216	27,440	163,741
Certificates of deposit with banks and other financial institutions	17,054	–	6,209	23,263
Asset management plan of financial institutions	–	131,865	–	131,865
Debt financing plans	–	55,558	–	55,558
Beneficiary rights of assets	–	22,368	–	22,368
Sub-total	78,004	687,314	245,031	1,010,349
Accrued interest	581	9,812	3,074	13,467
Allowance for impairment losses	–	(17,015)	–	(17,015)
Total	78,585	680,111	248,105	1,006,801

	The Group			
	31 December 2021			
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Government bonds	1,535	283,869	42,806	328,210
Bonds of public entities and quasi-governments	3,134	90,002	58,686	151,822
Bonds of financial institutions	5,994	28,131	54,281	88,406
Corporate bonds	27,261	72,147	35,669	135,077
Certificates of deposit with banks and other financial institutions	2,022	–	2,322	4,344
Asset management plan of financial institutions	–	151,636	–	151,636
Debt financing plans	–	78,015	–	78,015
Beneficiary rights of assets	–	17,592	–	17,592
Sub-total	39,946	721,392	193,764	955,102
Accrued interest	394	10,318	2,508	13,220
Allowance for impairment losses	–	(13,444)	–	(13,444)
Total	40,340	718,266	196,272	954,878

The Bank				
31 December 2022				
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Government bonds	16	280,435	35,516	315,967
Bonds of public entities and quasi-governments	1,173	89,583	117,044	207,800
Bonds of financial institutions	7,676	21,610	56,665	85,951
Corporate bonds	52,085	83,316	27,440	162,841
Certificates of deposit with banks and other financial institutions	17,054	–	6,209	23,263
Asset management plan of financial institutions	–	131,865	–	131,865
Debt financing plans	–	55,558	–	55,558
Beneficiary rights of assets	–	22,368	–	22,368
Sub-total	78,004	684,735	242,874	1,005,613
Accrued interest	581	9,795	3,048	13,424
Allowance for impairment losses	–	(16,735)	–	(16,735)
Total	78,585	677,795	245,922	1,002,302

The Bank				
31 December 2021				
	Held-for-trading financial assets	Debt investments	Other debt investments	Total
Government bonds	1,535	282,577	41,251	325,363
Bonds of public entities and quasi-governments	3,134	89,670	58,686	151,490
Bonds of financial institutions	5,994	28,131	54,281	88,406
Corporate bonds	27,261	71,247	35,669	134,177
Certificates of deposit with banks and other financial institutions	2,022	–	2,322	4,344
Asset management plan of financial institutions	–	151,636	–	151,636
Debt financing plans	–	78,015	–	78,015
Beneficiary rights of assets	–	17,592	–	17,592
Sub-total	39,946	718,868	192,209	951,023
Accrued interest	394	10,300	2,489	13,183
Allowance for impairment losses	–	(13,264)	–	(13,264)
Total	40,340	715,904	194,698	950,942

The debt instruments are classified based on credit ratings of credit rating agencies widely accepted in the market

The Group						
31 December 2022						
	Unrated	AAA	AA	A	Below A	Total
Government bonds	203,144	116,309	–	16	–	319,469
Bonds of public entities and quasi-governments	176,669	31,319	146	–	–	208,134
Bonds of financial institutions	4,465	73,939	280	1,831	5,436	85,951
Corporate bonds	96,653	30,663	21,055	4,176	11,194	163,741
Certificates of deposit with banks and other financial institutions	21,158	–	–	688	1,417	23,263
Asset management plan of financial institutions	131,715	150	–	–	–	131,865
Debt financing plans	55,558	–	–	–	–	55,558
Beneficiary rights of assets	22,368	–	–	–	–	22,368
Total	711,730	252,380	21,481	6,711	18,047	1,010,349

The Group						
31 December 2021						
	Unrated	AAA	AA	A	Below A	Total
Government bonds	267,862	60,348	–	–	–	328,210
Bonds of public entities and quasi-governments	146,708	5,114	–	–	–	151,822
Bonds of financial institutions	5,725	82,480	201	–	–	88,406
Corporate bonds	94,845	28,923	10,809	500	–	135,077
Certificates of deposit with banks and other financial institutions	4,344	–	–	–	–	4,344
Asset management plan of financial institutions	151,636	–	–	–	–	151,636
Debt financing plans	78,015	–	–	–	–	78,015
Beneficiary rights of assets	17,592	–	–	–	–	17,592
Total	766,727	176,865	11,010	500	–	955,102

The Bank						
31 December 2022						
	Unrated	AAA	AA	A	Below A	Total
Government bonds	199,744	116,207	–	16	–	315,967
Bonds of public entities and quasi-governments	176,335	31,319	146	–	–	207,800
Bonds of financial institutions	4,465	73,939	280	1,831	5,436	85,951
Corporate bonds	95,754	30,663	21,055	4,175	11,194	162,841
Certificates of deposit with banks and other financial institutions	21,158	–	–	688	1,417	23,263
Asset management plan of financial institutions	131,715	150	–	–	–	131,865
Debt financing plans	55,558	–	–	–	–	55,558
Beneficiary rights of assets	22,368	–	–	–	–	22,368
Total	707,097	252,278	21,481	6,710	18,047	1,005,613

The Bank						
31 December 2021						
	Unrated	AAA	AA	A	Below A	Total
Government bonds	265,015	60,348	–	–	–	325,363
Bonds of public entities and quasi-governments	146,376	5,114	–	–	–	151,490
Bonds of financial institutions	5,725	82,480	201	–	–	88,406
Corporate bonds	93,945	28,923	10,809	500	–	134,177
Certificates of deposit with banks and other financial institutions	4,344	–	–	–	–	4,344
Asset management plan of financial institutions	151,636	–	–	–	–	151,636
Debt financing plans	78,015	–	–	–	–	78,015
Beneficiary rights of assets	17,592	–	–	–	–	17,592
Total	762,648	176,865	11,010	500	–	951,023

3.8 Renegotiated financial assets

The book balance of the financial assets which have been subject to the Group's concession arrangement with borrowers or changed guarantee conditions is as follows:

	31 December 2022	31 December 2022
Loans and advances to customers	2,662	1,157

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to make repayments when liabilities fall due. Liquidity risk may be resulted from mismatch of cash flows or terms between assets and liabilities.

The Bank has established the Asset & Liabilities Management Committee which is responsible for formulation, organization and implementation of the administrative policies on liquidity risk, established multi-channel financing mechanism, and designed a series of daily liquidity monitoring indicator systems complying with the actuality of the Bank based on the applicability principle, in accordance with the indicator system on liquidity risk monitoring of regulatory authorities. Meanwhile, taking into account both the economic efficiency and liquidity, the Bank held some government bonds and central bank bills in the assets portfolio, which could not only achieve stable investment income, but also be sold off or repurchased in the secondary market at any time to fulfill the liquidity requirements.

4.1 Liquidity analysis

(1) Maturity analysis

The table below analyzes the carrying amount of financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of contract:

	The Group							Total
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	
31 December 2022								
Financial assets								
Cash on hand and balances with central banks	151,907	23,476	–	–	–	–	–	175,383
Due from banks	–	18,277	–	–	–	–	–	18,277
Placements with banks and other financial institutions	–	–	13,183	12,141	20,610	11,300	–	57,234
Derivative financial assets	–	–	1,430	3,691	2,312	72	–	7,505
Financial assets purchased under agreements to resell	–	–	41,459	8,580	8,403	–	–	58,442
Loans and advances to customers	14,311	–	213,254	161,277	691,916	702,365	434,568	2,217,691
Held-for-trading financial assets	1,047	172,146	5,204	11,316	40,101	21,950	107,820	359,584
Debt investments	7,333	–	9,818	27,968	143,114	378,034	113,844	680,111
Other debt investments	–	–	3,751	9,841	33,879	135,446	65,188	248,105
Other equity instrument investments	7,131	–	–	–	–	–	–	7,131
Other financial assets	1,780	8,004	–	–	–	8,159	–	17,943
Total financial assets	183,509	221,903	288,099	234,814	940,335	1,257,326	721,420	3,847,406

The Group								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	5,138	–	95,698	–	–	100,836
Due to banks and other financial institutions	–	46,599	109,142	169,396	234,820	–	–	559,957
Placements from banks and other financial institutions	–	–	21,542	29,985	113,378	1,937	–	166,842
Derivative financial assets	–	–	990	2,647	2,676	46	–	6,359
Financial assets sold under agreements to repurchase	–	–	69,359	250	4,022	–	–	73,631
Deposits taken	–	1,013,523	89,111	111,458	489,016	391,561	–	2,094,669
Lease liabilities	–	–	221	219	1,116	3,461	965	5,982
Debt obligations payable	–	–	15,848	126,811	254,725	102,684	30,329	530,397
Other financial liabilities	–	12,374	1,090	319	790	3,562	2,020	20,155
Total financial liabilities	–	1,072,496	312,441	441,085	1,196,241	503,251	33,314	3,558,828
Net position	183,509	(850,593)	(24,342)	(206,271)	(255,906)	754,075	688,106	288,578

The Group								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	150,482	35,692	–	–	–	–	–	186,174
Due from banks	–	16,673	–	–	–	–	–	17,703
Placements with banks and other financial institutions	–	–	20,108	14,174	39,481	9,500	–	83,263
Derivative financial assets	–	–	1,495	2,122	4,417	165	–	8,199
Financial assets purchased under agreements to resell	–	–	9,747	2,188	6,455	–	–	18,390
Loans and advances to customers	15,244	–	195,922	152,847	659,438	720,603	418,912	2,162,966
Held-for-trading financial assets	–	152,690	3,123	3,564	17,460	11,851	46,069	234,757
Debt investments	16,059	–	17,254	37,290	129,751	406,120	111,792	718,266
Other debt investments	–	–	5,374	4,810	10,291	117,860	57,937	196,272
Other equity instrument investments	6,924	–	–	–	–	–	–	6,924
Other financial assets	1,375	8,141	–	–	–	–	–	9,516
Total financial assets	190,084	213,196	253,023	216,995	868,323	1,266,099	634,710	3,642,430

The Group								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	11,008	616	138,090	–	–	149,714
Due to banks and other financial institutions	–	46,893	77,692	289,905	127,538	–	–	542,028
Placements from banks and other financial institutions	–	–	15,765	46,034	49,716	2,401	–	113,916
Financial liabilities for trading	–	–	–	–	206	–	–	206
Derivative financial liabilities	–	–	1,464	2,129	4,267	22	–	7,882
Financial assets sold under agreements to repurchase	–	–	42,466	1,637	2,408	–	–	46,511
Deposits taken	–	1,065,235	103,493	102,938	356,453	299,230	–	1,927,349
Lease liabilities	–	–	222	216	1,076	3,514	1,025	6,053
Debt obligations payable	–	–	21,313	84,324	304,124	137,487	–	547,248
Other financial liabilities	–	9,651	993	305	756	3,505	1,956	17,166
Total financial liabilities		1,121,779	274,416	528,104	984,634	446,159	2,981	3,358,073
Net position	190,084	(908,583)	(21,393)	(311,109)	(116,311)	819,940	631,729	284,357

The Bank								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	151,801	23,236	–	–	–	–	–	175,037
Due from banks	–	17,778	–	81	–	–	–	17,859
Placements with banks and other financial institutions	–	–	13,183	12,141	26,610	11,300	–	63,234
Derivative financial assets	–	–	1,430	3,691	2,312	72	–	7,505
Financial assets purchased under agreements to resell	–	–	41,459	8,580	8,403	–	–	58,442
Loans and advances to customers	12,171	–	213,031	160,893	688,860	632,651	398,858	2,106,464
Held-for-trading financial assets	1,047	170,457	5,204	11,316	40,102	21,950	107,820	357,896
Debt investments	7,333	–	9,818	27,968	143,073	377,679	111,924	677,795
Other debt investments	–	–	3,727	9,828	33,869	134,508	63,990	245,922
Other equity instrument investments	6,726	–	–	–	–	–	–	6,726
Other financial assets	1,744	4,409	–	–	–	1,038	–	7,191
Total financial assets	180,822	215,880	287,852	234,498	943,229	1,179,198	682,592	3,724,071

The Bank								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	5,138	–	95,697	–	–	100,835
Due to banks and other financial institutions	–	53,003	109,142	169,396	234,820	–	–	566,361
Placements from banks and other financial institutions	–	–	18,541	21,674	17,835	–	–	58,050
Derivative financial assets	–	–	990	2,647	2,676	46	–	6,359
Financial assets sold under agreements to repurchase	–	–	69,359	250	4,022	–	–	73,631
Deposits taken	–	1,012,569	89,013	111,344	488,620	390,899	–	2,092,445
Lease liabilities	–	–	215	212	1,080	3,372	936	5,815
Debt obligations payable	–	–	15,848	126,811	252,703	98,573	30,329	524,264
Other financial liabilities	–	11,936	1,052	161	421	39	606	14,215
Total financial liabilities	–	1,077,508	309,298	432,495	1,097,874	492,929	31,871	3,441,975
Net position	180,822	(861,628)	(21,446)	(197,997)	(154,645)	686,269	650,721	282,096

The Bank								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	150,374	35,465	–	–	–	–	–	185,839
Due from banks	–	16,357	–	202	1,121	–	–	17,680
Placements with banks and other financial institutions	–	–	20,111	16,180	45,981	9,500	–	91,772
Derivative financial assets	–	–	1,495	2,122	4,417	165	–	8,199
Financial assets purchased under agreements to resell	–	–	3,968	2,188	6,455	–	–	12,611
Loans and advances to customers	15,127	–	195,762	152,422	655,870	638,898	385,910	2,043,989
Held-for-trading financial assets	–	151,200	3,123	3,564	17,460	11,851	46,069	233,267
Debt investments	16,059	–	17,254	37,290	129,751	405,832	109,718	715,904
Other debt investments	–	–	5,374	4,720	10,241	116,426	57,937	194,698
Other equity instrument investments	6,605	–	–	–	–	–	–	6,605
Other financial assets	1,375	5,278	–	–	–	–	–	6,653
Total financial assets	189,540	208,300	247,087	218,688	871,296	1,182,672	599,634	3,517,217

The Bank								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	11,008	616	138,053	–	–	149,677
Due to banks and other financial institutions	–	47,053	77,692	289,902	127,538	–	–	542,185
Placements from banks and other financial institutions	–	–	5,123	12,324	3,703	–	–	21,150
Financial liabilities for trading	–	–	–	–	206	–	–	206
Derivative financial liabilities	–	–	1,464	2,129	4,267	22	–	7,882
Financial assets sold under agreements to repurchase	–	–	42,466	1,637	2,408	–	–	46,511
Deposits taken	–	1,064,121	103,389	102,800	356,042	298,835	–	1,925,187
Lease liabilities	–	–	213	210	1,029	3,390	993	5,835
Debt obligations payable	–	–	21,313	81,753	304,124	131,354	–	538,544
Other financial liabilities	–	9,239	981	150	392	36	565	11,363
Total financial liabilities	–	1,120,413	263,649	491,521	937,762	433,637	1,558	3,248,540
Net position	189,540	(912,113)	(16,562)	(272,833)	(66,466)	749,035	598,076	268,677

(2) Undiscounted contract cash flows classified by expiry date of contract

The table below presents the undiscounted cash flows of financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of the contract:

The Group								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	151,907	23,476	–	687	2,077	–	–	178,147
Due from banks	–	18,278	–	–	–	–	–	18,278
Placements with banks and other financial institutions	–	–	13,278	12,444	21,291	11,427	–	58,440
Financial assets purchased under agreements to resell	–	–	41,822	8,692	8,512	–	–	59,026
Loans and advances to customers	14,460	–	221,649	174,637	742,871	835,060	536,599	2,525,276
Held-for-trading financial assets	1,047	172,146	5,227	11,357	41,105	23,588	107,937	362,407
Debt investments	7,333	–	10,624	31,193	160,292	417,538	142,885	769,865
Other debt investments	–	–	3,812	10,371	38,248	153,102	75,279	280,812
Other equity instrument investments	7,131	–	–	–	–	–	–	7,131
Other financial assets	1,780	8,010	–	–	–	8,404	–	18,194
Total financial assets	183,658	221,910	296,412	249,381	1,014,396	1,449,119	862,700	4,277,576

The Group								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	5,145	10	97,848	–	–	103,003
Due to banks and other financial institutions	–	46,610	110,018	170,680	235,707	–	–	563,015
Placements from banks and other financial institutions	–	–	21,697	30,341	114,998	2,040	–	169,076
Financial assets sold under agreements to repurchase	–	–	69,426	253	4,113	–	–	73,792
Deposits taken	–	1,013,524	91,065	114,353	506,253	432,936	–	2,158,131
Lease liabilities	–	–	237	235	1,190	3,804	1,130	6,596
Debt obligations payable	–	–	15,872	127,998	258,952	116,614	30,329	549,765
Other financial liabilities	–	12,377	1,090	319	790	3,562	2,020	20,158
Total financial liabilities	–	1,072,511	314,550	444,189	1,219,851	558,956	33,479	3,643,536
Net position	183,658	(850,601)	(18,138)	(194,808)	(205,455)	890,163	829,221	634,040
Derivative financial instruments settled on a net basis	–	–	287	959	(327)	17	–	936
Derivative financial instruments settled on a gross basis								
Of which: Cash inflows	–	–	17,112	36,867	25,755	2,893	–	82,627
Cash outflows	–	–	(16,959)	(36,782)	(25,792)	(2,884)	–	(82,417)

The Group								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	150,482	35,692	–	716	523	–	–	187,413
Due from banks	–	16,673	3	7	1,030	–	–	17,713
Placements with banks and other financial institutions	–	–	20,226	14,713	40,508	9,646	–	85,093
Financial assets purchased under agreements to resell	–	–	10,094	2,232	6,576	–	–	18,902
Loans and advances to customers	15,371	–	204,498	166,557	712,112	853,643	520,169	2,472,350
Held-for-trading financial assets	–	152,690	3,130	3,622	18,013	12,793	46,213	236,461
Debt investments	16,084	–	17,606	41,620	149,141	450,149	143,079	817,679
Other debt investments	–	–	5,497	4,929	12,704	131,422	67,854	222,406
Other equity instrument investments	6,924	–	–	–	–	–	–	6,924
Other financial assets	1,375	8,141	–	–	–	–	–	9,516
Total financial assets	190,236	213,196	261,054	234,396	940,607	1,457,653	777,315	4,074,457

The Group								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	11,359	1,325	140,066	–	–	152,750
Due to banks and other financial institutions	–	47,063	78,811	291,631	170,609	–	–	588,114
Placements from banks and other financial institutions	–	–	16,169	46,402	50,578	2,592	–	115,741
Financial liabilities for trading	–	–	–	–	206	–	–	206
Financial assets sold under agreements to repurchase	–	–	42,483	1,646	2,422	–	–	46,551
Deposits taken	–	1,065,235	106,682	108,790	370,662	331,574	–	1,982,943
Lease liabilities	–	–	240	232	1,155	3,866	1,205	6,698
Debt obligations payable	–	–	21,373	85,231	312,929	148,520	–	568,053
Other financial liabilities	–	9,651	993	305	756	3,504	1,956	17,165
Total financial liabilities	–	1,121,949	278,110	535,562	1,049,383	490,056	3,161	3,478,221
Net position	190,236	(908,753)	(17,056)	(301,166)	(108,776)	967,597	774,154	596,236
Derivative financial instruments settled on a net basis	–	–	46	51	36	143	–	276
Derivative financial instruments settled on a gross basis								
Of which: Cash inflows	–	11	10,683	8,016	36,993	2,709	–	58,412
Cash outflows	–	(11)	(10,698)	(8,074)	(36,879)	(2,709)	–	(58,371)

The Bank								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	151,801	23,236	–	686	2,075	–	–	177,798
Due from banks	–	17,779	–	81	–	–	–	17,860
Placements with banks and other financial institutions	–	–	13,322	12,444	27,335	11,427	–	64,528
Financial assets purchased under agreements to resell	–	–	41,822	8,692	8,512	–	–	59,026
Loans and advances to customers	12,312	–	221,413	174,231	739,746	765,256	500,835	2,413,793
Held-for-trading financial assets	1,047	170,457	5,227	11,357	41,105	23,588	107,937	360,718
Debt investments	7,333	–	10,624	31,193	160,252	417,183	140,971	767,556
Other debt investments	–	–	3,788	10,353	38,209	151,955	73,966	278,271
Other equity instrument investments	6,726	–	–	–	–	–	–	6,726
Other financial assets	1,744	4,409	–	–	–	1,038	–	7,191
Total financial assets	180,963	215,881	296,196	249,037	1,017,234	1,370,447	823,709	4,153,467

The Bank								
31 December 2022								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	5,144	9	97,848	–	–	103,001
Due to banks and other financial institutions	–	53,014	110,018	170,680	235,707	–	–	569,419
Placements from banks and other financial institutions	–	–	18,557	21,819	18,247	–	–	58,623
Financial assets sold under agreements to repurchase	–	–	69,426	253	4,113	–	–	73,792
Deposits taken	–	1,012,569	90,963	114,232	505,815	432,174	–	2,155,753
Lease liabilities	–	–	230	228	1,151	3,707	1,094	6,410
Debt obligations payable	–	–	15,872	127,910	256,929	112,080	30,329	543,120
Other financial liabilities	–	11,937	1,052	161	421	39	606	14,216
Total financial liabilities	–	1,077,520	311,262	435,292	1,120,231	548,000	32,029	3,524,334
Net position	180,963	(861,639)	(15,066)	(186,255)	(102,997)	822,447	791,680	629,133
Derivative financial instruments settled on a net basis	–	–	287	959	(327)	17	–	936
Derivative financial instruments settled on a gross basis								
Of which: Cash inflows	–	–	17,112	36,867	25,755	2,893	–	82,627
Cash outflows	–	–	(16,959)	(36,782)	(25,792)	(2,884)	–	(82,417)

The Bank								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial assets								
Cash on hand and balances with central banks	150,374	35,465	–	666	252	–	–	186,757
Due from banks	–	16,357	3	209	1,151	–	–	17,720
Placements with banks and other financial institutions	–	–	20,246	16,798	47,120	9,646	–	93,810
Financial assets purchased under agreements to resell	–	–	4,316	2,232	6,575	–	–	13,123
Loans and advances to customers	15,250	–	204,325	166,109	708,472	771,826	487,116	2,353,098
Held-for-trading financial assets	–	151,200	3,130	3,622	18,013	12,793	46,213	234,971
Debt investments	16,097	–	17,603	41,607	149,044	449,420	140,109	813,880
Other debt investments	–	–	5,497	4,839	12,619	129,951	67,854	220,760
Other equity instrument investments	6,605	–	–	–	–	–	–	6,605
Other financial assets	1,375	5,278	–	–	–	–	–	6,653
Total financial assets	189,701	208,300	255,120	236,082	943,246	1,373,636	741,292	3,947,377

The Bank								
31 December 2021								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Financial liabilities								
Due to central banks	–	–	11,359	1,324	140,030	–	–	152,713
Due to banks and other financial institutions	–	47,063	78,724	291,314	128,041	–	–	545,142
Placements from banks and other financial institutions	–	–	5,126	12,343	3,713	–	–	21,182
Financial liabilities for trading	–	–	–	–	206	–	–	206
Financial assets sold under agreements to repurchase	–	–	42,483	1,646	2,422	–	–	46,551
Deposits taken	–	1,064,121	106,578	108,652	370,252	331,179	–	1,980,782
Lease liabilities	–	–	230	227	1,106	3,730	1,162	6,455
Debt obligations payable	–	–	21,373	82,572	312,929	141,813	558,687	558,687
Other financial liabilities	–	9,238	981	150	392	36	565	11,362
Total financial liabilities		1,120,422	266,854	498,228	959,091	476,758	1,727	3,323,080
Net position	189,701	(912,122)	(11,734)	(262,146)	(15,845)	896,878	739,565	624,297
Derivative financial instruments settled on a net basis	–	–	46	51	36	143	–	276
Derivative financial instruments settled on a gross basis								
Of which: Cash inflows	–	11	10,683	8,016	36,993	2,709	–	58,412
Cash outflows	–	(11)	(10,698)	(8,074)	(36,879)	(2,709)	–	(58,371)

4.2 Off-balance-sheet items

Off-balance-sheet items of the Group mainly include bank acceptance drafts, letter of credit issued, letter of guarantee issued, irrevocable loan commitments and unused credit card limit. Amounts of off-balance-sheet items are presented in the table below by residual maturity of contract:

	The Group			
	31 December 2022			
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance drafts	468,421	–	–	468,421
L/Cs issued	169,766	991	–	170,757
L/Gs and other payment commitments issued	16,693	13,828	221	30,742
Irrevocable loan commitments	7,223	1,004	913	9,140
Unused credit card limit	307,094	–	–	307,094
Total	969,197	15,823	1,134	986,154

	The Group			
	31 December 2021			
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance drafts	384,281	–	–	384,281
L/Cs issued	155,230	733	–	155,963
L/Gs and other payment commitments issued	16,563	14,354	1,748	32,665
Irrevocable loan commitments	15,255	1,387	1,261	17,903
Unused credit card limit	265,981	–	–	265,981
Total	837,310	16,474	3,009	856,793

The Bank				
31 December 2022				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance drafts	468,617	–	–	468,617
L/Cs issued	169,766	991	–	170,757
L/Gs and other payment commitments issued	16,677	13,828	221	30,726
Irrevocable loan commitments	2,964	1,004	913	4,881
Unused credit card limit	307,094	–	–	307,094
Total	965,118	15,823	1,134	982,075

The Bank				
31 December 2021				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance drafts	384,249	–	–	384,249
L/Cs issued	155,230	733	–	155,963
L/Gs and other payment commitments issued	16,540	14,354	1,748	32,642
Irrevocable loan commitments	6,748	1,213	1,261	9,222
Unused credit card limit	265,981	–	–	265,981
Total	828,748	16,300	3,009	848,057

5. Market risk

Market risk means the possibility of loss to the Group's on – and off-balance-sheet businesses that results from changes in the market prices (including exchange rate, interest rate, commodity price and stock price). Market risk of the Group mainly consists of exchange rate risk and interest rate risk. Exchange rate risk of the Group mainly refers to risk of loss caused by exchange rate fluctuation in exposure of assets and liabilities denominated in foreign currency. Interest rate risk mainly refers to risk of loss caused by interest rate fluctuation arising from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

5.1 Exchange rate risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly include the Group's treasury operation exposure and foreign exchange business.

As for the business varieties involving exchange rate risk, the Group strictly manages various links of development, launching and operation, and formulates necessary risk control system in terms of business authorization, exposure limits and process monitoring. The Bank divides its foreign exchange trading businesses between banking book and trading book and the foreign exchange exposure of the whole bank is managed by the Head Office in a unified manner.

At the end of the reporting period, exchange rate risk of financial assets and financial liabilities is as follows:

The Group					
31 December 2022					
	RMB	RMB (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash on hand and balances with central banks	154,498	20,824	32	29	175,383
Due from banks	4,854	6,827	226	6,370	18,277
Placements with banks and other financial institutions	50,487	6,371	177	199	57,234
Derivative financial assets	50	6,971	85	399	7,505
Financial assets purchased under agreements to resell	58,442	–	–	–	58,442
Loans and advances to customers	2,177,056	27,835	9,745	3,055	2,217,691
Held-for-trading financial assets	357,835	1,749	–	–	359,584
Debt investments	640,713	35,325	–	4,073	680,111
Other debt investments	220,038	27,409	176	482	248,105
Other equity instrument investments	7,098	11	22	–	7,131
Other financial assets	16,028	1,795	79	41	17,943
Total financial assets	3,687,099	135,117	10,542	14,648	3,847,406

The Group					
31 December 2022					
	RMB	RMB (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Due to central banks	100,836	–	–	–	100,836
Due to banks and other financial institutions	559,948	7	–	2	559,957
Placements from banks and other financial institutions	114,778	46,233	1,908	3,923	166,842
Derivative financial assets	50	5,851	85	373	6,359
Financial assets sold under agreements to repurchase	68,196	5,435	–	–	73,631
Deposits taken	2,042,619	38,515	1,801	11,734	2,094,669
Lease liabilities	5,912	–	70	–	5,982
Debt obligations payable	525,190	2,338	–	2,869	530,397
Other financial liabilities	15,918	991	18	3,228	20,155
Total financial liabilities	3,433,447	99,370	3,882	22,129	3,558,828
Net exposure	253,652	35,747	6,660	(7,481)	288,578

The Group					
31 December 2021					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash on hand and balances with central banks	163,989	22,089	64	32	186,174
Due from banks	4,789	9,939	1,320	1,655	17,703
Placements with banks and other financial institutions	83,263	–	–	–	83,263
Derivative financial assets	26	8,111	39	23	8,199
Financial assets purchased under agreements to resell	18,390	–	–	–	18,390
Loans and advances to customers	2,123,465	29,661	6,370	3,470	2,162,966
Held-for-trading financial assets	233,204	1,553	–	–	234,757
Debt investments	687,850	29,982	–	434	718,266
Other debt investments	174,756	20,623	736	157	196,272
Other equity instrument investments	6,861	11	52	–	6,924
Other financial assets	9,015	449	52	–	9,516
Total financial assets	3,505,608	122,418	8,633	5,771	3,642,430

The Group					
31 December 2021					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Due to central banks	149,714	–	–	–	149,714
Due to banks and other financial institutions	542,021	6	–	1	542,028
Placements from banks and other financial institutions	95,394	15,381	843	2,298	113,916
Financial liabilities for trading	206	–	–	–	206
Derivative financial liabilities	26	7,762	39	55	7,882
Financial assets sold under agreements to repurchase	44,288	2,223	–	–	46,511
Deposits taken	1,855,590	65,310	1,540	4,909	1,927,349
Lease liabilities	6,044	–	9	–	6,053
Debt obligations payable	542,452	4,796	–	–	547,248
Other financial liabilities	13,516	768	12	2,870	17,166
Total financial liabilities	3,249,251	96,246	2,443	10,133	3,358,073
Net exposure	256,357	26,172	6,190	(4,362)	284,357

The Bank					
31 December 2022					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash on hand and balances with central banks	154,153	20,824	32	28	175,037
Due from banks	4,447	6,816	226	6,370	17,859
Placements with banks and other financial institutions	56,487	6,371	177	199	63,234
Derivative financial assets	50	6,971	85	399	7,505
Financial assets purchased under agreements to resell	58,442	–	–	–	58,442
Loans and advances to customers	2,066,475	27,190	9,745	3,054	2,106,464
Held-for-trading financial assets	356,147	1,749	–	–	357,896
Debt investments	638,397	35,325	–	4,073	677,795
Other debt investments	217,855	27,409	176	482	245,922
Other equity instrument investments	6,693	11	22	–	6,726
Other financial assets	6,319	758	79	35	7,191
Total financial assets	3,565,465	133,424	10,542	14,640	3,724,071

The Bank					
31 December 2022					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Due to central banks	100,835	–	–	–	100,835
Due to banks and other financial institutions	566,352	7	–	2	566,361
Placements from banks and other financial institutions	8,016	44,203	1,908	3,923	58,050
Derivative financial assets	50	5,851	85	373	6,359
Financial assets sold under agreements to repurchase	68,196	5,435	–	–	73,631
Deposits taken	2,040,395	38,515	1,801	11,734	2,092,445
Lease liabilities	5,745	–	70	–	5,815
Debt obligations payable	519,057	2,338	–	2,869	524,264
Other financial liabilities	10,031	938	18	3,228	14,215
Total financial liabilities	3,318,677	97,287	3,882	22,129	3,441,975
Net exposure	246,788	36,137	6,660	(7,489)	282,096

The Bank					
31 December 2021					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash on hand and balances with central banks	163,654	22,089	64	32	185,839
Due from banks	4,766	9,939	1,320	1,655	17,680
Placements with banks and other financial institutions	91,772	–	–	–	91,772
Derivative financial assets	26	8,111	39	23	8,199
Financial assets purchased under agreements to resell	12,611	–	–	–	12,611
Loans and advances to customers	2,004,567	29,582	6,370	3,470	2,043,989
Held-for-trading financial assets	231,714	1,553	–	–	233,267
Debt investments	685,488	29,982	–	434	715,904
Other debt investments	173,182	20,623	736	157	194,698
Other equity instrument investments	6,542	11	52	–	6,605
Other financial assets	6,395	206	52	–	6,653
Total financial assets	3,380,717	122,096	8,633	5,771	3,517,217

The Bank					
31 December 2021					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Due to central banks	149,677	–	–	–	149,677
Due to banks and other financial institutions	542,178	6	–	1	542,185
Placements from banks and other financial institutions	2,628	15,381	843	2,298	21,150
Financial liabilities for trading	206	–	–	–	206
Derivative financial liabilities	26	7,762	39	55	7,882
Financial assets sold under agreements to repurchase	44,288	2,223	–	–	46,511
Deposits taken	1,853,428	65,310	1,540	4,909	1,925,187
Lease liabilities	5,826	–	9	–	5,835
Debt obligations payable	533,748	4,796	–	–	538,544
Other financial liabilities	7,719	768	12	2,864	11,363
Total financial liabilities	3,139,724	96,246	2,443	10,127	3,248,540
Net exposure	240,993	25,850	6,190	(4,356)	268,677

The potential impact on pre-tax profit and shareholders' equity is presented below, in the case that the spot and forward exchange rates of RMB against all foreign currencies appreciate or depreciate by 5% at the same time.

The Group and the Bank				
	31 December 2022		31 December 2021	
	Pre-tax profit	Interests	Pre-tax profit	Interests
Appreciation by 5%	(793)	(794)	(445)	(448)
Depreciation by 5%	793	794	445	448

Impact on pre-tax profit arises from impact of RMB exchange rate fluctuation on net exposure of monetary assets and liabilities and monetary derivative instruments denominated in foreign currency.

The impact on pre-tax profit is determined based on the assumption that the Group's exchange rate sensitive position and net position of monetary derivative instruments remain unchanged on balance sheet dates. The Group actively adjusts foreign currency exposure and applies proper derivative instruments to reduce the foreign exchange risk, based on the Management's judgment on the exchange rate fluctuation trend. Therefore, the sensitivity analysis above may deviate from the actualities to some extent.

5.2 Interest rate risk

The Group's interest rate risk mainly arises from the impact of mismatches between the interest rate repricing periods for assets and liabilities in the banking book on income. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The Group measures risks through sensitivity analysis of net interest income, sensitivity analysis of economic value, repricing gap and stress testing.

The Group intensified the cost control over interest-bearing liabilities management, established term and interest rate structure matching with the interest-bearing liabilities over the interest-generating assets management, optimized assets and liabilities portfolio management, and proactively developed fee-based business and non-interest rate sensitive financial products, so as to reduce the impact of interest rate risk on the Group's operation.

At the end of reporting periods, the expiry date of contract or repricing date (whichever is earlier) of financial assets and financial liabilities is as follows:

The Group							
31 December 2022							
	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue/ non-interest generating	Total
Cash on hand and balances with central banks	169,763	–	–	–	–	5,620	175,383
Due from banks	16,959	–	–	–	–	1,318	18,277
Placements with banks and other financial institutions	13,164	12,100	20,610	11,300	–	60	57,234
Derivative financial assets	–	–	–	–	–	7,505	7,505
Financial assets purchased under agreements to resell	41,400	8,493	8,359	–	–	190	58,442
Loans and advances to customers	780,119	314,022	815,153	227,875	57,832	22,690	2,217,691
Held-for-trading financial assets	173,514	11,139	39,769	21,950	107,819	5,393	359,584
Debt investments	9,137	26,471	140,717	374,110	112,531	17,145	680,111
Other debt investments	3,185	8,713	32,498	135,446	65,189	3,074	248,105
Other equity instrument investments	–	–	–	–	–	7,131	7,131
Other financial assets	188	–	–	3,049	–	14,706	17,943
Total financial assets	1,207,429	380,938	1,057,106	773,730	343,371	84,832	3,847,406
Due to central banks	5,000	–	95,284	–	–	552	100,836
Due to banks and other financial institutions	155,189	168,825	234,181	–	–	1,762	559,957
Placements from banks and other financial institutions	22,100	29,757	112,783	1,258	–	944	166,842
Derivative financial assets	–	–	–	–	–	6,359	6,359
Financial assets sold under agreements to repurchase	69,314	248	3,999	–	–	70	73,631
Deposits taken	1,035,351	131,769	490,143	406,725	1	30,680	2,094,669
Lease liabilities	221	219	1,116	3,461	965	–	5,982
Debt obligations payable	15,848	126,809	254,254	101,000	30,000	2,486	530,397
Other financial liabilities	3,897	–	–	–	–	16,258	20,155
Total financial liabilities	1,306,920	457,627	1,191,760	512,444	30,966	59,111	3,558,828
Net position	(99,491)	(76,689)	(134,654)	261,286	312,405	25,721	288,578

The Group
31 December 2021

	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue/ non-interest generating	Total
Cash on hand and balances with central banks	176,421	–	–	–	–	9,753	186,174
Due from banks	14,640	–	1,030	1	–	2,032	17,703
Placements with banks and other financial institutions	20,084	14,110	39,481	9,500	–	88	83,263
Derivative financial assets	–	–	–	–	–	8,199	8,199
Financial assets purchased under agreements to resell	9,700	2,155	6,401	–	–	134	18,390
Loans and advances to customers	722,734	265,004	242,487	853,501	56,076	23,164	2,162,966
Held-for-trading financial assets	148,457	3,461	17,243	11,851	46,069	7,676	234,757
Debt investments	17,577	36,690	127,243	400,431	109,948	26,377	718,266
Other debt investments	29,888	5,067	8,502	98,597	51,710	2,508	196,272
Other equity instrument investments	–	–	–	–	–	6,924	6,924
Other financial assets	232	–	–	–	–	9,284	9,516
Total financial assets	1,139,733	326,487	442,387	1,373,881	263,803	96,139	3,642,430
Due to central banks	10,700	600	137,035	–	–	1,379	149,714
Due to banks and other financial institutions	122,463	289,905	127,538	–	–	2,122	542,028
Placements from banks and other financial institutions	15,639	45,846	49,527	2,398	–	506	113,916
Financial liabilities for trading	–	–	206	–	–	–	206
Derivative financial liabilities	–	–	–	–	–	7,882	7,882
Financial assets sold under agreements to repurchase	42,444	1,632	2,406	–	–	29	46,511
Deposits taken	1,113,734	126,280	372,321	292,051	–	22,963	1,927,349
Lease liabilities	222	216	1,076	3,514	1,025	–	6,053
Debt obligations payable	21,305	84,248	303,254	136,000	–	2,441	547,248
Other financial liabilities	3,500	–	–	–	–	13,666	17,166
Total financial liabilities	1,330,007	548,727	993,363	433,963	1,025	50,988	3,358,073
Net position	(190,274)	(222,240)	(550,976)	939,918	262,778	45,151	284,357

The Bank
31 December 2022

	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue/ non-interest generating	Total
Cash on hand and balances with central banks	169,539	–	–	–	–	5,498	175,037
Due from banks	16,505	80	–	–	–	1,274	17,859
Placements with banks and other financial institutions	13,164	12,100	26,610	11,300	–	60	63,234
Derivative financial assets	–	–	–	–	–	7,505	7,505
Financial assets purchased under agreements to resell	41,400	8,493	8,359	–	–	190	58,442
Loans and advances to customers	779,896	313,639	812,104	158,169	22,122	20,534	2,106,464
Held-for-trading financial assets	172,826	11,139	39,769	21,950	107,819	4,393	357,896
Debt investments	9,137	26,471	140,676	373,759	110,624	17,128	677,795
Other debt investments	3,164	8,713	32,498	134,508	63,991	3,048	245,922
Other equity instrument investments	–	–	–	–	–	6,726	6,726
Other financial assets	188	–	–	471	–	6,532	7,191
Total financial assets	1,205,819	380,635	1,060,016	700,157	304,556	72,888	3,724,071
Due to central banks	5,000	–	95,283	–	–	552	100,835
Due to banks and other financial institutions	161,593	168,825	234,181	–	–	1,762	566,361
Placements from banks and other financial institutions	18,431	21,517	17,684	–	–	418	58,050
Derivative financial assets	–	–	–	–	–	6,359	6,359
Financial assets sold under agreements to repurchase	69,314	248	3,999	–	–	70	73,631
Deposits taken	1,034,307	131,662	489,770	406,100	1	30,605	2,092,445
Lease liabilities	215	212	1,080	3,372	936	–	5,815
Debt obligations payable	15,848	126,809	252,254	97,000	30,000	2,353	524,264
Other financial liabilities	3,897	–	–	–	–	10,318	14,215
Total financial liabilities	1,308,605	449,273	1,094,251	506,472	30,937	52,437	3,441,975
Net position	(102,786)	(68,638)	(34,235)	193,685	273,619	20,451	282,096

The Bank
31 December 2021

	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue/ non-interest generating	Total
Cash on hand and balances with central banks	176,099	–	–	–	–	9,740	185,839
Due from banks	14,325	202	1,121	–	–	2,032	17,680
Placements with banks and other financial institutions	20,085	16,110	45,981	9,500	–	96	91,772
Derivative financial assets	–	–	–	–	–	8,199	8,199
Financial assets purchased under agreements to resell	3,926	2,155	6,400	–	–	130	12,611
Loans and advances to customers	722,576	264,580	238,926	771,801	23,074	23,032	2,043,989
Held-for-trading financial assets	147,839	3,461	17,243	11,851	46,069	6,804	233,267
Debt investments	17,577	36,690	127,243	400,144	107,891	26,359	715,904
Other debt investments	29,889	4,977	8,452	97,181	51,710	2,489	194,698
Other equity instrument investments	–	–	–	–	–	6,605	6,605
Other financial assets	232	–	–	–	–	6,421	6,653
Total financial assets	1,132,548	328,175	445,366	1,290,477	228,744	91,907	3,517,217
Due to central banks	10,700	600	137,000	–	–	1,377	149,677
Due to banks and other financial institutions	122,623	289,902	127,538	–	–	2,122	542,185
Placements from banks and other financial institutions	5,121	12,314	3,702	–	–	13	21,150
Financial liabilities for trading	–	–	206	–	–	–	206
Derivative financial liabilities	–	–	–	–	–	7,882	7,882
Financial assets sold under agreement to repurchase	42,444	1,632	2,406	–	–	29	46,511
Deposits taken	1,112,577	126,143	371,907	291,656	–	22,904	1,925,187
Lease liabilities	213	210	1,029	3,390	993	–	5,835
Debt obligations payable	21,305	81,748	303,254	130,000	–	2,237	538,544
Other financial liabilities	3,500	–	–	–	–	7,863	11,363
Total financial liabilities	1,318,483	512,549	947,042	425,046	993	44,427	3,248,540
Net position	(185,935)	(184,374)	(501,676)	865,431	227,751	47,480	268,677

The Group measures the possible effects of interest rate changes on the Group's net interest income and equity through sensitivity analysis. The table below presents the results of interest rate sensitivity analysis based on assets and liabilities on 31 December 2022 and 31 December 2021.

Change in interest rate (basis points)	The Group			
	31 December 2022		31 December 2021	
	Net interest income	Interests	Net interest income	Interests
Up 100 bps	(2,097)	(8,012)	(5,742)	(7,860)
Down 100 bps	2,097	8,656	5,742	8,486

Change in interest rate (basis points)	The Bank			
	31 December 2022		31 December 2021	
	Net interest income	Interests	Net interest income	Interests
Up 100 bps	(1,685)	(7,902)	(5,200)	(7,860)
Down 100 bps	1,685	8,538	5,200	8,486

The above sensitivity analysis is conditional upon the static interest rate risk structure of assets and liabilities.

The relevant analysis only measures interest rate changes in one year, reflecting the impact of the Group's non-derivative asset and liability repricing within one year on annualized interest income of the Group upon the following assumptions: (i) the 100 bps change in interest rate represents the interest rate change over the next full year commencing on the balance sheet date; (ii) the yield curve moves in parallel with interest rate changes; (iii) no other changes occur to the asset and liability portfolios.

Sensitivity analysis on equity is conducted based on the impact of interest rate change on changes in fair value of fixed-rate financial assets measured at fair value through other comprehensive income held on balance sheet dates after revaluation.

This analysis will not take into account the impact of risk management methods the Management may take. Given the above assumptions, the actual changes in the Group's net interest income resulting from interest rate changes may be different from the sensitivity analysis results.

The Group's activities affected by the benchmark interest rate reform mainly include LIBOR-linked lending, bond investment and derivatives trading. The Group has attached great importance to and made overall planning for benchmark rate reform, with relevant work proceeding in a well-ordered manner. After assessment, the Group believes that adoption of the revision has no material impact on the Group's financial position and operating results for the reporting period.

6. Capital management

Since 2013, the Group has managed capital in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the former CBRC. In particular, credit risk is measured by the weighting approach, market risk the standard approach and operational risk the basic indicator approach.

Capital composition of the Group is as follows:

Core tier-1 capital: share capital, capital reserve, other comprehensive income, surplus reserve, general risk reserve, retained profit and recognizable part of capital contribution from minority shareholders;

Other tier-1 capital: recognizable part of capital contribution from other equity instruments and minority shareholders;

Tier-2 capital: tier-2 capital instruments and premium thereof, excessive allowance for impairment losses on loans and recognizable part of capital contribution from minority shareholders.

Net capital is calculated by deducting corresponding capital deductions from capital at all levels in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*.

The Management of the Group monitors the adequacy of capital and application of regulatory capital in a real-time manner based on relevant guidelines of the Basel Committee and regulatory requirements of CBIRC.

To ensure the capital adequacy ratio meeting the regulatory requirement and support balanced and sound development of various businesses on this basis, the Group proactively expands the capital supplementary channel to promote the capital strength, reasonably controls the growth rate of risk assets, vigorously optimizes the structure of risk assets and strived to enhance the utilization efficiency of risk assets.

The Group calculates the net capital at all levels and the capital adequacy ratio in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the former CBRC. Particulars are as follows:

	31 December 2022	31 December 2021
Net core tier-1 capital	262,499	240,073
Net tier-1 capital	322,724	300,279
Net capital	377,107	350,673
Core tier-1 capital adequacy ratio	9.24%	8.78%
Tier-1 capital adequacy ratio	11.36%	10.98%
Capital adequacy ratio	13.27%	12.82%

7. Fair value of financial assets and financial liabilities

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements. The Group measures and discloses the fair value of financial instruments on the following levels:

Level 1: Fair value measurement refers to the unadjusted quotation of the same assets or liabilities obtainable in the active market on the measurement date;

Level 2: Fair value measurement refers to the directly or indirectly observable input value of related assets or liabilities other than the input value in Level 1. Most bond investments classified on Level 2 are RMB bonds. The fair value of these bonds is determined on the valuation results provided by CCDC. Also on the level are most OTC derivatives. Valuation techniques include forward pricing, swap modeling and option pricing & modeling. The entered parameters come from the observable open markets such as Bloomberg, Wind and Reuters trading systems.

Level 3: Fair value measurement refers to the unobservable input value of related assets or liabilities.

Fair value measurement of financial assets and financial liabilities of the Group did not shift between Level 1 or Level 2 and Level 3.

7.1 Fair value of financial assets and financial liabilities continuously measured at fair value

The following table shows the financial instruments measured at fair value evaluated at three levels:

	The Group			
	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	–	7,505	–	7,505
Loans and advances to customers measured at fair value through other comprehensive income	–	102,731	–	102,731
Held-for-trading financial assets	94,437	261,427	3,720	359,584
Other debt investments	–	248,105	–	248,105
Other equity instrument investments	1,542	–	5,589	7,131
Financial liabilities				
Derivative financial assets	–	6,359	–	6,359

	The Group			
	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	–	8,199	–	8,199
Loans and advances to customers measured at fair value through other comprehensive income	–	141,753	–	141,753
Held-for-trading financial assets	49,073	182,278	3,406	234,757
Other debt investments	–	196,272	–	196,272
Other equity instrument investments	609	–	6,315	6,924
Financial liabilities				
Financial liabilities for trading	–	206	–	206
Derivative financial liabilities	–	7,882	–	7,882

The Bank				
31 December 2022				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	–	7,505	–	7,505
Loans and advances to customers measured at fair value through other comprehensive income	–	102,731	–	102,731
Held-for-trading financial assets	93,506	260,670	3,720	357,896
Other debt investments	–	245,922	–	245,922
Other equity instrument investments	1,437	–	5,289	6,726
Financial liabilities				
Derivative financial assets	–	6,359	–	6,359

The Bank				
31 December 2021				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	–	8,199	–	8,199
Loans and advances to customers measured at fair value through other comprehensive income	–	141,753	–	141,753
Held-for-trading financial assets	48,577	181,284	3,406	233,267
Other debt investments	–	194,698	–	194,698
Other equity instrument investments	590	–	6,015	6,605
Financial liabilities				
Financial liabilities for trading	–	206	–	206
Derivative financial liabilities	–	7,882	–	7,882

Fair value measurement of financial assets and financial liabilities of the Group neither shifted between Level 1 and Level 2 nor between Level 1 or Level 2 and Level 3 in the year and the previous year. For financial assets and liabilities stipulated by standard articles and traded on the active market, their fair value shall be determined separately with reference to the buy-in and sell-out prices available on the market. When the quotation is not available in the active market, the Group determines the fair value of financial assets and financial liabilities continuously measured at fair value by valuation techniques.

Valuation techniques used by the Group include cash flow discounting model for some derivative financial instruments whose quotation is not available in the active market (including FX forward, FX swap, interest rate swap, etc.) and the Black-Scholes option pricing model for valuation of option derivative instruments and the market comparison method for other equity instrument investments. Parameters used by the cash flow discounting model mainly include recent transaction prices and related yield curve while those used by the Black-Scholes option pricing model are related yield curve, exchange rate and volatility of underlying assets, etc. The main parameters used by the market comparison method include industry price-to-book ratio, price-to-earnings ratio and other industry ratios and liquidity discount.

The fair value of other financial instruments (including interbank market securities) is determined according to the general pricing model which is based on the future cash flow discounting method. No major changes occurred to the valuation techniques the Group used for fair value measurement in 2022 or 2021.

Except the financial assets and financial liabilities continuously measured at fair value, the Group held no financial instruments not continuously measured at fair value.

The table below presents the changes between opening balance and ending balance of fair value measured at Level 3 of fair value.

The Group	2022		Total
	Held-for-trading financial assets	Other equity instrument investments	
1 January 2022	3,406	6,315	9,721
Additions	1,872	126	1,998
Decrease	–	(628)	(628)
Losses recorded in profit or loss	(1,558)	–	(1,558)
Losses recorded in other comprehensive income	–	(224)	(224)
31 December 2022	3,720	5,589	9,309

The Group	2021		Total
	Held-for-trading financial assets	Other equity instrument investments	
1 January 2021	3,390	5,022	8,412
Additions	1,032	1,636	2,668
Decrease	(15)	(25)	(40)
Losses recorded in profit or loss	(1,001)	–	(1,001)
Losses recorded in other comprehensive income	–	(318)	(318)
31 December 2021	3,406	6,315	9,721

The Bank	2022		Total
	Held-for-trading financial assets	Other equity instrument investments	
1 January 2022	3,406	6,015	9,421
Additions	1,872	126	1,998
Decrease	–	(628)	(628)
Losses recorded in profit or loss	(1,558)	–	(1,558)
Losses recorded in other comprehensive income	–	(224)	(224)
31 December 2022	3,720	5,289	9,009

The Bank	2021		Total
	Held-for-trading financial assets	Other equity instrument investments	
1 January 2021	3,390	5,022	8,412
Additions	1,032	1,336	2,368
Decrease	(15)	(25)	(40)
Losses recorded in profit or loss	(1,001)	–	(1,001)
Losses recorded in other comprehensive income	–	(318)	(318)
31 December 2021	3,406	6,015	9,421

Effects of Level 3 assets on profit or loss for the year:

The Group and the Bank	2022			2021		
	Realized	Unrealized	Total	Realized	Unrealized	Total
Effect on net gains	–	(1,558)	(1,558)	1	(1,002)	(1,001)

7.2 Financial assets and financial liabilities not measured at fair value

The table below shows the book value and fair value of financial assets and financial liabilities that are not presented by fair value. Financial assets and financial liabilities with similar book value and fair value are not included in the table below, including balances with central banks, due from banks, placements with banks and other financial institutions, financial assets purchased under agreements to resell, loans and advances to customers measured at amortized costs, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under agreements to repurchase, deposits taken etc.

financial assets	The Group			
	31 December 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Debt investments	680,111	680,085	718,266	719,884

Financial liabilities	The Group			
	31 December 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Debt obligations payable	530,397	529,663	547,248	549,225

financial assets	The Bank			
	31 December 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Debt investments	677,795	677,727	715,904	717,389

Financial liabilities	The Bank			
	31 December 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Debt obligations payable	524,264	523,482	538,544	540,423

The table below lists the levels of fair value of financial assets and financial liabilities that are not presented at fair value on the balance sheet date:

	The Group			
	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments	–	487,178	192,907	680,085
Financial liabilities				
Debt obligations payable	–	529,663	–	529,663

	The Group			
	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments	–	474,890	244,994	719,884
Financial liabilities				
Debt obligations payable	–	549,225	–	549,225

The Bank				
31 December 2022				
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments	–	485,441	192,286	677,727
Financial liabilities				
Debt obligations payable	–	523,482	–	523,482

The Bank				
31 December 2021				
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments	–	473,226	244,163	717,389
Financial liabilities				
Debt obligations payable	–	540,423	–	540,423

As for the financial institutions' asset management plans and beneficiary rights of assets classified as debt investments, its fair value will be determined based on the cash flow discounting model and the unobservable discounting rate which reflects credit risk of counterparties and is adjusted based on the liquidity profile. These financial instruments are classified into Level 3.

The fair value of other financial instruments is determined according to the general pricing model which is based on the future cash flow discounting method. These financial instruments are classified into Level 2.

XV. POST BALANCE SHEET DATE EVENTS

1. The Bank held a meeting of the Board of Directors on 14 March 2023, approving to distribute cash dividend of RMB4.68 (pre-tax) per share to preference shareholders. The dividends above totaled RMB936 million, and were distributed on 28 March 2023.

The Bank held a meeting of the Board of Directors on 26 April 2023, approving to distribute dividend of RMB3.83 (pre-tax) per 10 shares after setting aside statutory surplus reserve and general risk reserve. Calculated based on the shares issued by the Bank as at 31 December 2022, the dividends distributed totaled RMB6,095 million. The above profit distribution plan is subject to approval by the Shareholders' General Meeting. Before that, accounting treatment is not made to the proposed surplus reserve, general risk reserve and dividend distribution.

2. The Bank issued the financial bond (series 1) of Hua Xia Bank Co., Ltd. for 2023 on 28 March 2023 and the issuance volume was RMB20 billion. The bonds have a term of three years, the coupon rate is fixed at 2.80%. The value date is 30 March 2023 and the maturity date is 30 March 2026.
3. The Bank issued the green financial bond of Hua Xia Bank Co., Ltd. for 2023 on 28 March 2023 and the issuance volume was RMB10 billion. The bonds have a term of three years, the coupon rate is fixed at 2.79%. The value date is 30 March 2023 and the maturity date is 30 March 2026.
4. As approved by CBIRC, the Bank redeemed all the preference shares issued in March 2016 on 28 March 2023, with a redemption size of RMB20 billion.

XVI. COMPARATIVE DATA

Certain comparative data have been reclassified to be consistent with this year's presentation of financial statements.

XVII. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors of the Bank on 26 April 2023.

UNAUDITED SUPPLEMENTARY INFORMATION

1 January to 31 December 2022 (In RMB millions, unless otherwise stated)

1. DETAIL LIST OF EXTRAORDINARY PROFIT AND LOSS

The table below is prepared in accordance with the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss (2008)* issued by CSRC.

	2022	2021
Profit/loss from the disposal of assets	(3)	(8)
Government subsidies	78	92
Other net operating income and expenses	(139)	(88)
Income tax influence of extraordinary profit and loss	(34)	(34)
Less: Extraordinary profit and loss attributable to minority shareholders	(1)	(4)
Total extraordinary profit and loss attributable to ordinary shareholders of the parent company	(99)	(42)

Extraordinary profit and loss refers to the profit or loss resulting from transactions and events that have no direct relation with normal operation of the Group or that although have direct relation with normal operation of the Group, they may affect the financial statements users' normal judgment on the Group's operating results and profitability due to their special and accidental nature.

2. RETURN ON EQUITY AND EARNINGS PER SHARE

The table below is prepared in accordance with the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 Revision)* issued by CSRC. During relevant periods, basic earnings per share will be calculated by dividing the current net profit with the weighted average ordinary shares issued.

	2022	2021
Net profit attributable to ordinary shareholders of the parent company	22,159	20,755
Weighted average return on equity (%)	9.00	9.04
Basic earnings per share (RMB yuan, share)	1.43	1.35
Net profit attributable to ordinary shareholders of the parent company after deduction of extraordinary profit and loss	22,258	20,797
Weighted average return on equity (%)	9.04	9.06
Basic earnings per share (RMB yuan, share)	1.44	1.35

The Group has no potential diluted ordinary share.



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