



中国人寿集团成员单位



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ANNUAL REPORT 2022





Discover the Splendidness and Create the Future



Cover Story: Lingnan Series

“Canton Embroidery” is the general term for folk embroidery arts and crafts originated in the Pearl River Delta area, and it is known as the four famous embroideries in China along with Su Embroidery originated in Jiangsu, Xiang Embroidery originated in Hunan and Shu Embroidery originated in Sichuan. The cover of the Annual Report takes the form of Canton Embroidery with Lingnan characteristics. The round embroidery frame is matched with the logo of Guangzhou city, including Five Goats with Grains, Kapok, Guangzhou Tower, Pearl River Water and the traditional Guangfu-type residential building wall with legendary-turtle heads. The artistic conception of “Five goats with grains and Kapok blossom” embodies Guangfa spirit of ‘daring to be the first’, implying that China Guangfa Bank deeply studies, publicizes and implements the spirit of the 20th National Congress of the Communist Party of China; being rooted in the bay area, the Bank will steadily forge ahead and serve the people’s livelihood, striving to write a new chapter of high-quality development.



Vision

To build a first-class commercial bank among peers, with full functionality, diversified businesses and salient features



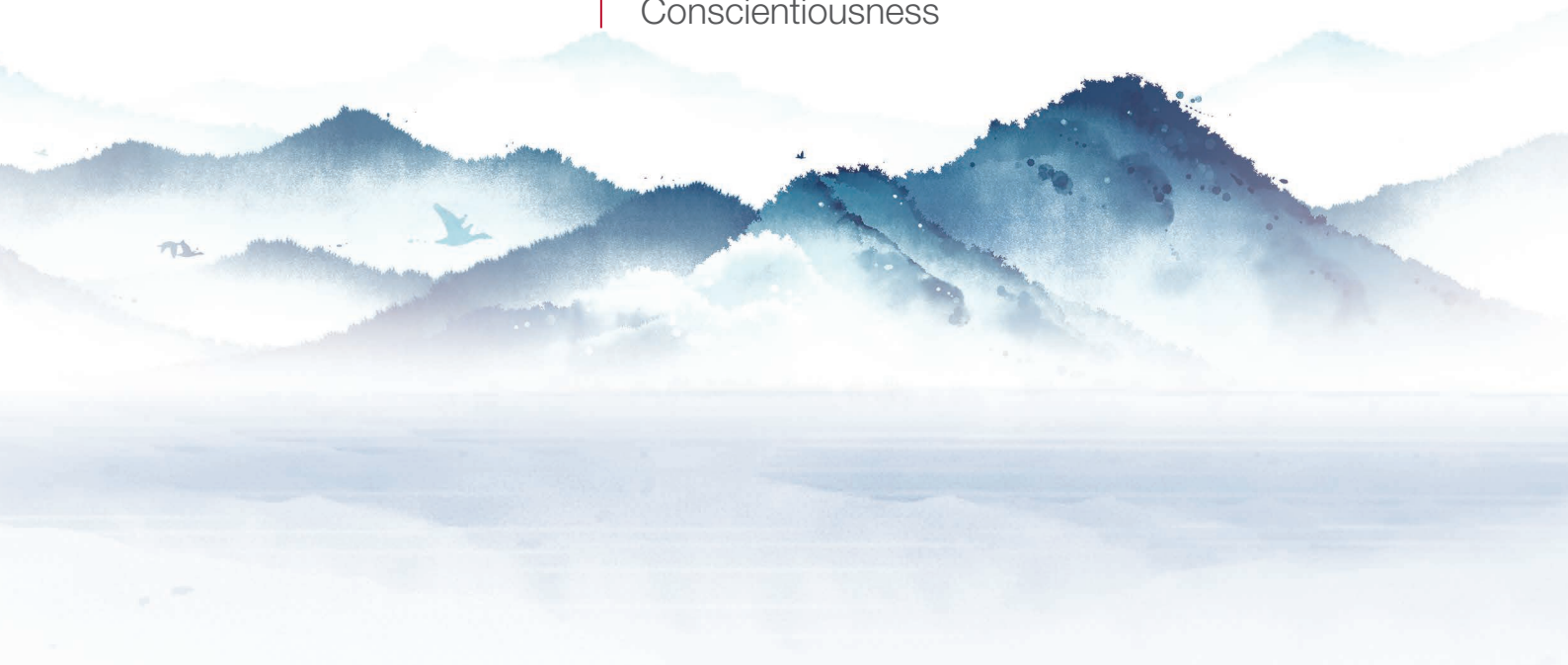
Mission

Serving customers
Rewarding shareholders
Fulfilling the value of employees
Making contributions to society



Core Values

Faithfulness
Responsibility
Innovation
Conscientiousness

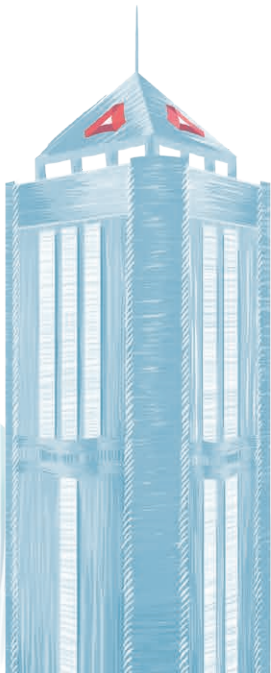


2022

Introduction of the Bank

Established in 1988, China Guangfa Bank is one of the earliest incorporated joint-stock commercial banks in China. The Bank upholds the core values of “faithfulness, responsibility, innovation and conscientiousness”, bears in mind the mission of “serving customers, rewarding shareholders, fulfilling the value of employees and making contributions to society”, practices the service concept of “know each other for you” and strives towards its strategic vision of being “one of the first-class commercial banks in China”.

As of the end of 2022, the Bank’s network has expanded to include 966 business offices in 115 cities at and above the prefecture level in 26 provinces (autonomous regions and municipalities) including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang and the Hong Kong and Macau Special Administrative Regions, as well as a wholly-owned subsidiary. In January 2023, the Bank set up a branch in Hohhot. The Bank has established correspondent SWIFT authentication partnerships with over 1,000 banking institutions in nearly 100 countries and regions. The Bank’s high quality, efficient and comprehensive financial services have covered 420,000 corporate customers, more than 60.00 million debit card customers and 109.00 million credit card customers.



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Important Notice

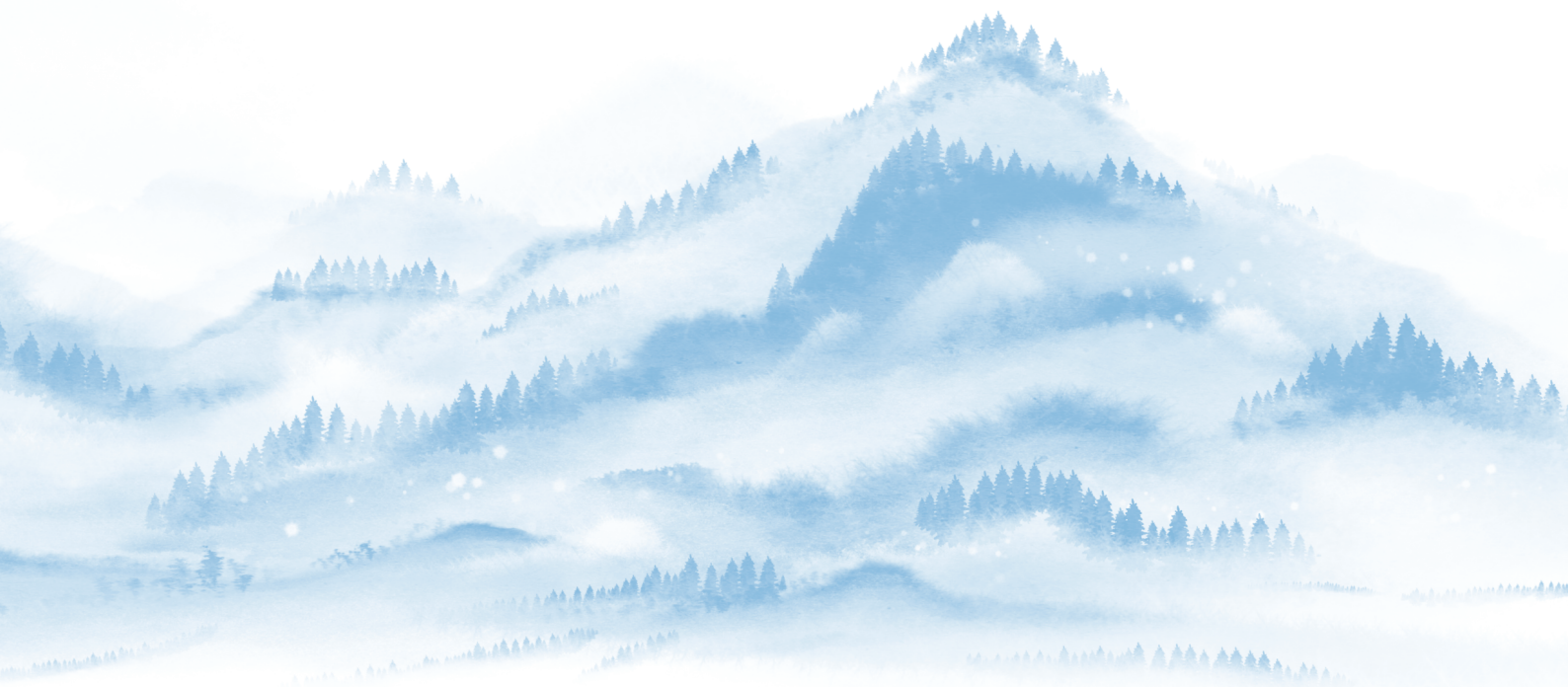
- The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of the Bank confirm that the contents in this annual report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they severally and jointly undertake legal responsibility for such contents.
- The Annual Report 2022 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 26th meeting of the ninth session of the Board of Directors of the Bank. Due to other important arrangements, Directors Su Hengxuan and Zhang Di appointed Director Wang Kai to vote on their behalf at the meeting, and Director Liu Xiangyang appointed Independent Director Guo Yunzhao to vote on his behalf at the meeting. The remaining Directors attended the meeting and exercised their voting rights in person.
- The Annual Report 2022 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 24th meeting of the eighth session of the Board of Supervisors of the Bank with written review opinions.
- PricewaterhouseCoopers Zhongtian LLP audited the Bank's 2022 financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles, and issued a standard auditor's report with unqualified opinions. Meanwhile, PricewaterhouseCoopers Zhongtian LLP audited the Bank's financial statements of Year 2022 prepared in accordance with the International Accounting Standards, and issued a standard auditor report with unqualified opinions.
- Among the net profit of RMB15.528 billion as stated in the Bank's audited financial statements of Year 2022, after deducting the dividend distributions on the undated capital bonds of RMB2.025 billion issued in 2022, the after-tax profit available to shareholders of ordinary shares during the year is RMB13.503 billion; 10% or RMB1.553 billion of the after-tax profit will be appropriated to the statutory surplus reserve; RMB2.560 billion equivalent to 1.5% of the ending balance of risk assets will be appropriated to the general risk reserve. As of the dividend benchmark date, a cash dividend of RMB0.78 (tax inclusive) per every 10 shares will be paid to all shareholders of record, amounting to RMB1.700 billion. The above profit distribution plan is subject to the review and approval at 2022 annual general meeting of the Bank.
- This report is prepared in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail.
- Forward-looking statements relating to the Bank's future financial position, operating performance, business development and business plan in this report do not constitute any substantive commitments. The Bank's actual operating performance and development may differ from forward-looking statements due to various factors and uncertainties.
- The risks faced by the Bank in the course of business mainly include credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, reputation risk, strategic risk, compliance risk and information technology risk. The Bank has taken various measures to effectively manage and control various business risks. For details, please refer to the disclosure in "Management Discussion and Analysis".

Legal Representative Wang Kai, Executive Vice President in charge of finance Li Xiaoshui(proposed) and General Manager of the Finance Department Qiu Gang, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in the Bank's Annual Report 2022.

Definitions

In this report, unless the context otherwise requires, the following terms have the meaning set forth below:

The Bank	refers to	China Guangfa Bank Co., Ltd.
The Group	refers to	China Guangfa Bank Co., Ltd. and its subsidiaries
Articles of Association	refers to	Articles of Association of China Guangfa Bank Co., Ltd.
China Life Group	refers to	China Life Insurance (Group) Company
Central Bank	refers to	The People's Bank of China
CBIRC	refers to	China Banking and Insurance Regulatory Commission
CSRC	refers to	China Securities Regulatory Commission
CGB Wealth Management	refers to	CGB Wealth Management Co., Ltd.
RMB	refers to	Renminbi



Chairman's Statement



Pursuing progress while ensuring stability, working pragmatically and earnestly.

2022 is an extraordinary and challenging year. In this year, people united to overcome difficulties and forged ahead. CGB, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implemented the spirit of the 20th National Congress of CPC, proactively coped with the complicated internal and external situations, firmly stabilised the fundamentals of sound development, and made new progress in pursuing high-quality development.

Party building has been comprehensively strengthened. Keeping in mind that CPC's leadership in SOEs is a major political principle and reform must be made to establish a modern enterprise system within SOEs, we adhered to the political and people-oriented nature of financial work, remained committed to the path of financial development with Chinese characteristics by integrating the leadership of CPC with corporate governance. We adhered to the "Five Improvements" and "Four Integrations", and effectively implemented rectifications proposed by CPC Central Committee Inspection Tours. Thanks to those, the leadership of CPC was further strengthened and more stringent governance of the Party was maintained throughout CGB.

Comprehensive strength improved effectively. We registered total assets of RMB3.4 trillion, both loans and deposits are all exceeded RMB2 trillion. We are one of the first banks engaging in private pension business. We established cooperation with Guangzhou Futures Exchange with respect to deposit and management of margins. CGB has been selected as a domestic systematically important bank for two consecutive years. Furthermore, CGB rose to 61st place in the "Top 1000 World Banks" ranking.

More efforts to serve the overall interest. We insisted on serving the country with finance, and fulfilled the responsibility as a member of central state-owned enterprise by fully supporting the stabilization of the economy and increasing financial support to key areas of the real economy. We put the people into first place. In this regard, we launched a series of innovative financial products to serve small and micro enterprises and new citizens, enhancing the accessibility and convenience of financial services to meet the people's needs for a better life.

The Bank actively promoted strategic transformation. Centering on the overall strategic layout of "three-in-one bank", the Bank accelerated the construction of an overall retail development pattern. Both saving deposits and active retail accounts have seen a remarkable growth. The development of light-asset businesses such as transaction banking, investment banking, asset management and financial market was accelerated. The Bank expedited the construction of "digital GUANGFA", diversified the personalised service capabilities for customers. The depth and breadth of coordination in comprehensive finance continued to expand. The Bank deepened the reform of organizational structure and implemented the "three determinations" optimization plan, which firmly underpinned the strategic transformation.

Financial risk exposure was generally stable. Adhering to the philosophy of "risk compliance creates value", the internal control and compliance system was continuously optimised, the intelligent level of risk governance was constantly improved, risk management and control in key areas was enhanced, and major regulatory indicators remained stable in general. The protection mechanism of consumer rights and interests had steadily improved and the Bank's regulatory ratings had been upgraded significantly.

While making the above progress, we have many extraordinary achievements. We have taken various measures to reduce fees and surrender part of the profits, delay the repayment of principal and interest for inclusive small and micro enterprises, and significantly reduce the average interest rate of newly issued loans to inclusive small and micro enterprises. Helped enterprises get out of business distress, and **we received compliments from them.** We have continuously optimised our service system, solved customer pain points, met customers' needs, provided accurate and professional personalised services, and **received smiling faces from our customers.** Confronted with a complex situation, our employees dedicated themselves to ensuring business continuity and basic financial services operate smoothly, actively

participated in the vanguard of Party members and volunteer service teams, and **shouldered a courageous and resolute responsibility.** These moving images clearly show us the responsibility and mission of "uniting together and forge ahead when confronting a severe challenge". Let us more firmly maintain our business perseverance and strategic determination, attain to the broad and great while addressing the delicate and minute, and always follow the correct path of finance for the people.

Those who act will often succeed, and those who persevere will often reach their goal.

In 2023, CGB will continue to deeply implement the spirit of the 20th National Congress of the Communist Party of China, conduct in-depth education on studying and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and fully integrate into the great process of Chinese-style modernization, implement the spirit of financial regulatory reform, and always adhere to its original aspiration and mission of "exploring the path for financial reform and serving economic development", unswervingly accelerating high-quality development.

Focusing on the leadership of Party building, taking learning and implementing the spirit of the 20th National Congress of the Communist Party of China as the primary political task, continuously strengthening the organic integration of Party leadership and improving corporate governance, promoting the normalization and long-term effectiveness of central inspection and rectification and constantly promoting comprehensive and strict governance of the Party.

Focusing on the country's most fundamental interests, raising political stance, being adept at thinking and analyzing economic and operational issues from a political perspective, being adept at thinking and promoting business management from a political perspective, fully supporting the strategy of expanding domestic demand, helping to accelerate the construction of a modern industrial system, effectively carrying out the "two unwavering" principle and serving the overall improvement of economic operation with financial power.

Focusing on distinctive features and advantages. We will fully leverage our geographical advantages in GBA and synergy with China Life's comprehensive financial advantages. CGB aims to enhance cooperation with government and banks, strengthen the industrial and financial capital integration, upgrade the synergetic management, marketing and service systems to bring more comprehensive, convenient and efficient financial service experience to customers.

Emphasizing on innovation and transformation. We regard reform and innovation as the core driving force and strategic guidance for high-quality development of the Bank. Guided by the development principle of light-capital and light-asset, we will continuously optimise customer structure, business structure and income structure to increase the return on capital level. We will continue to build a safe, convenient and easy access service system, accelerate digital transformation, improve all-day product and service delivery capability and bring the benefits of science and technology into full play.

Founded in Guangzhou by the Bank of Pearl River, during the 35 years of development, GCB expanded its business footprint across the globe. Looking ahead, we will forge ahead with innovation, strive to break new ground in high-quality development, and continuously write a new chapter in reform and development. We will strive to return the strong support of shareholders and all sectors of the society with better performances, and make our contribution to China's modernization process.

President's Statement



In 2022, confronted with the impact of multiple unexpected factors, China Guangfa Bank (CGB) adhered to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, implemented the spirit of the 20th National Congress of CPC, resolutely carried out the strategic decisions and deployments made by the of the Party Central Committee, strengthened strategy implementation and attained hard-earned development results.

Adhere to pursuing progress while maintaining stability, and consistently improve overall competitive strengths.

We focused on responding to the uncertainties of the external environment with the certainty of our own development. As of the end of 2022, the Bank's total assets reached RMB3.4 trillion, and its operating income amounted to RMB75.15 billion. In particular, the net income of service charges increased by 15.6% year-on-year, and the net profit was RMB15.53 billion. The non-performing loan ratio, provision coverage ratio, capital adequacy ratio and other indicators had met regulatory requirements. Five new branches were opened in Hohhot, Yibin, Guang'an, Bengbu and Shanwei, and the Capital Operation Center was licensed to operate. The CGB successfully rolled out wealth management (WM) services, and its ranking among "Top 1,000 Global Banks" hit a record high.

Consistently fulfill responsibilities and take the initiative to stabilize the macro-economy.

CGB increased financial support for the real economy. The growth rate of loans for the manufacturing industry was 10.5 percentage points higher than the average growth rate of loans in the Bank. Outstanding loans granted to the strategic emerging industry exceeded RMB100 billion. The balance of green credit increased by 98.5%, and the underwriting scale of new bonds rose by 70.7% year-on-year. The Bank deferred repayments of principal and interest for inclusive small and micro enterprises worth RMB12.08 billion throughout the year. The Bank refined and implemented the "16 Financial Measures", made efforts to "support timely deliveries of presold housing properties, support people's livelihood and support economic stability", and assisted with the steady development of the real estate industry; focused on recovering services and expanding domestic demand – credit card consumer finance loans totaled RMB2.5 trillion and outstanding self-operated consumer loans increased by 41.6%.

Adhere to the principle of "finance for the people", and continuously improve the standards of customer services.

We implemented the people-centered development philosophy in financial product services. As one of the first several officially designated pilot banks, CGB has been actively involved in the introduction of the "third pillar" private pension business, creating a pension financial product mix covering savings, funds, wealth management and insurance. The CGB continued to improve the quality of financial services. The average number of monthly active customers of Discover Wonderful app reached 17.97

million, the number of corporate WeChat accounts hit 5 million, and the sales volume on Smart Investment exceeded 10 billion. The exclusive financial service campaign for “new citizens” has been launched, and our consumer protection regulatory rating has improved significantly. The CGB made great efforts to support rural revitalization, the balance of inclusive agriculture-related loans increased by 19%, and the CGB became the designated cooperative bank for rural revitalization debt in Guangdong Province. “Paired assistance” projects made by the Bank were promoted by the Guangdong provincial government as a model project. In addition, the CGB succeeded in blazing a new trail with its own characteristics to drive rural revitalization.

The momentum for development continued to increase through consistent transformation and innovation. The CGB made every effort to promote the business development in the Greater Bay region in line with its market positioning of “being rooted in the bay area”. The CGB got a leading position in the balance of various deposits in the Guangdong province, and various loans accounted for more than 50% of the Bank’s businesses. The volume of the comprehensive financial business continuously increased. Agency life insurance premiums increased by 6% year on year. A total of 65 investment and financing projects were jointly implemented. The number of retail customers of insurance-banking cooperation services exceeded 6 million, and the number of new legal-person customers exceeded 10,000. The two-way empowerment was further strengthened. The digital transformation was accelerated and upgraded, and the proportion of investment in science and technology projects increased to 4.9%. The “Digital CGB” and “Eco-friendly CGB” campaigns both advanced steadily. The “Smart Brain” project was put into operation, an industry cloud platform was established, and five series of digital products for finance and taxation, human resources, labor union, justice, and people’s livelihood were launched.

Well-targeted and effective risk prevention and control were conducted to uphold the bottom line. We paid due attention to overall development and security, and put the prevention of financial risks in a prominent position; tightened up risk management concerning key issues such as credit cards, real estate and corporate concentration, and enhanced efforts to recover non-performing loans. The annual disposal of non-performing assets amounted to RMB39.36 billion, with new breakthroughs achieved in bulk transfers of retail non-performing loans. The Bank consolidated the foundation of internal control management, carried out public events such as the “Year of Policy Compliance” and the “Year of Compliance Performance Enhancement”, improved more than 200 policies throughout the year, implemented the “10 Prohibitions” and “10 Requirements” for credit management staff, and tightened the supervision for grassroots-level outlets, especially the centralized and standardized management of the authority to grant financial and credit approvals for second-level branches. In particular, the CGB successfully issued new shares worth RMB18.37 billion, effectively improving its own risk offset capability.

Uphold the CPC’s leadership, and continuously promote Party building. The CGB held learning sessions on the spirit of the 20th National Congress of the Communist Party of China, and solidly implemented rectifications proposed by central government inspectors. The Party

members and officials studied the spirit of the congress, and demonstrated ideological consciousness with both political and people-oriented awareness in financial operations; implemented the Party’s organizational path in the new era, vigorously carried out the promotion and demotion of cadres, enhanced the training of young managers, and continued to strengthen the development of grassroots-level party organizations, the number of newly recruited party members exceeded 1,000 for the first time; resolutely implemented the political responsibility of comprehensively and strictly governing the party, increased efforts to eliminate corruption, strictly investigated and punished offences involving violations of disciplinary and regulatory provisions, and reinforced discipline among employees.

We embarked on a new journey for greater successes amid strong headwind. The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. In the face of the new situation and new tasks, the CGB will take high-quality development as the main theme, rectify weakness while taking advantage of strengths, and enhance business performance comprehensively, effectively improve its core competence, and create a new pattern of development.

We will put **more** emphasis on optimizing the structure, focus on adjusting the asset-liability structure, income structure and customer base, promote steady improvement in quality and quantity, and create a virtuous circle of increasing production, revenue, efficiency and value. We will pay **more** attention to “being rooted in the bay area” addressing the home advantage of the headquarter in Guangdong; seize opportunities brought by China Life’s initiative to build a reform and innovation demonstration area in the Guangdong-Hong Kong-Macao Greater Bay Area, carry forward the pioneering spirit, and make the Greater Bay Area a development base for the Bank’s ballast stone and growth pole. We will **more** focus on coordinated and integrated operations, actively extend the service chain, ecological chain and value chain with customer orientation, step up the sharing and joint expansion of customer resources, and enhance the comprehensive contribution of customers; place **greater** emphasis on digital transformation, give priority to strengthening digital thinking and digital capabilities, continue to promote the deep integration of business and technology, deepen the digital product ecosystem, improve product and service delivery capabilities, and better empower business development; put **more** emphasis on risk prevention and control, focus on upholding bottom-line and worst-case thinking, improve the comprehensive risk management system, enhance the integrity and effectiveness of internal control and compliance, build on risk response and management capabilities, and effectively secure positive development results.

2023 will mark the CGB’s 35th anniversary. We will carry forward and forge ahead, and work hard with the courage to take the path of financial development with Chinese characteristics and strive to write a new chapter in Chinese path to the modernization of financial services!

Ten Milestones of 2022

I. Deeply implement the spirit of the 20th National Congress of CPC.

We deeply learned and comprehended the “Five Firmly Grasps”, met the requirements in daily work, deeply understood the decisive significance of the “two establishments”, enhanced our ideological consciousness of comprehensively promoting the great rejuvenation of the Chinese nation with the Chinese modernization path.

II. Continue deepen Party construction.

We vigorously implemented rectifications proposed by CPC Central Committee Inspection Tours. with a high standard, improved the political ability of cadres, and strengthened the Party governance as a driving force for the development of the Bank.

III. Vigorously serve the real economy

The Bank implemented a package of measures to stabilize the overall economy, with the balance of loans to strategic emerging industries exceeding RMB100 billion. The green credit nearly doubled year-on-year. Fee reductions reached RMB3.367 billion throughout the year, and the cumulative consumption amount of credit cards reached RMB2.49 trillion.

IV. Support the development of the third pillar of the pension system.

As one of the first banks to launch the private pension business, the Bank has established a pension financial product mix that covers savings, funds, wealth management, and insurance with a “decisive battle in the first battle, and a sprint in the beginning” attitude.

V. Play an active role in the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Bank formulated the implementation plan for business revitalization in the Greater Bay Area. The balance of various loans in Guangdong Province exceeds RMB1 trillion. The Bank has been selected as one of the first cooperative banks with the Guangzhou Futures Exchange in terms of deposit and management of margins, and the designated cooperative bank for special rural revitalization bonds in Guangdong Province.

VI. Accelerate retail transformation.

The Bank strengthened the systematic, comprehensive, and digital construction of business, launched the construction of “smart brain” retail project, and continuously improved the three-dimensional service model in terms of “smart+remote+offline”.

VII. Innovative breakthroughs in Cross-border Finance.

The Bank was officially approved to conduct the cross-border e-commerce foreign exchange fund receipt and payment business. The annual international settlement amount increased by 16% year-on-year, effectively facilitating the high-level opening-up.

VIII. Improve the quality and efficiency of asset disposal.

The Bank resolved and disposed of major and difficult non-performing projects left over from the past, and launched the batch transfer of non-performing retail loans for the first time.

IX. Increase the market influence by share issuance.

The Bank issued additional shares of RMB18.37 billion, which was the largest equity financing project of commercial banks in 2022, enhancing the capital strength and capacity to serve the real economy.

X. Comprehensively strengthen the construction of the headquarters.

The Bank implemented the headquarter’s “three determinations” optimization plan to promote the construction of a strong headquarter, highlighting intensive management, digital transformation, collaborative development, and risk balancing, and build a “leading, authoritative, and empowering” headquarter.

Operation and Management Characteristics



Party building

The Bank adhered to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied, publicize and implemented the spirit of the 20th National Congress of CPC, upheld and strengthened the Party's leadership, and comprehensively strengthened the Party's construction activities, providing a strong political guarantee for the Bank's high-quality development and the implementation of the "14th Five-Year Plan".



Continue deepening Party construction.

The Bank insists on using Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era to forge and consolidate the team. The Bank listed the conveying and study of General Secretary Xi Jinping's important speeches and important instructions as the "first topic" of the Party Committee and the standing topic of the Theoretical Study Center Group of the Party Committee, and also studied and comprehended Xi Jinping's economic thoughts, ecological civilization thought, overall national security thoughts and *Xi Jinping: The Governance of China* and other important issues. The Bank guided the leading cadres to implement the "two establishments" and achieve "two maintenances". The Bank deeply studied and thoroughly understood the spirit of the 20th National Congress of CPC, elected the representatives of the 20th National Congress of CPC, organized the whole bank to watch the opening ceremony, launched the study and implementation program to refine the 24 specific arrangements, and promoted the study and implementation into everyone's mindset and daily work.



Promote strict governance of the Party comprehensively.

The Bank consolidated the main responsibilities of the Party committees at all levels, the responsibilities of the Party secretary as the first responsible person, the "one post with two responsibilities" of team members, and the supervision responsibility of the discipline inspection committee. The Bank kept pace with the times to update and improve the list of main responsibilities of the Bank's Party committee to implement strict Party governance comprehensively, and effectively circulate the requirements of Party governance. The Bank continued to deepen the building of a clean and honest government, focused on supervising the "top leaders" and the leadership team, and completed the five-year inspection "full coverage" of directly affiliated institutions. The Bank strictly implemented the spirit of the eight central regulations, investigates and rectifies the typical problems of the "four trends", and resolutely tackled with the erroneous ideas of specialism, exceptionalism and aristocracy. The Bank continued to rectify formalism and bureaucracy, implemented the "three determinations" plan of the head office to strengthen the capacity building of the headquarters, deeply implement the service commitment system and the first-inquiry responsibility system, and improve the effectiveness of grassroots services.



Improve the quality of Party building at the grass-roots level.

The Bank strengthened the political and organizational functions of grass-roots Party organizations. The number of newly recruited Party members exceeded 1,000 for the first time in 2022, and the number of full-time Party workers increased by 30%. The Bank set Party building performance indicator for overseas branches approved the "four strong" Party branches, established Party member demonstration posts, responsibility areas, Party member commandos, and service teams, and explored the establishment of a "six integration" working model of Party building and business.



Rooted in the Greater Bay Area

The Bank further promoted the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and has taken serving the construction of Guangdong and the Greater Bay Area as its top priority. Since the signing of the strategic cooperation agreement with the Guangdong Provincial Government, the Bank has entered a new stage of high-quality development in Guangdong with financial assistance and ushered into a new era of business development. At the end of 2022, the Bank set up 11 tier-one branches in the Greater Bay Area, realizing the full coverage of organizations in the Greater Bay Area, and extending its services to all cities, intensifying the cooperation and expanding the scope of services in the Greater Bay Area.



Leverage comprehensive financial services to facilitate the industrial connectivity and transformation of the Greater Bay Area.

The Bank actively participated in the construction of key projects in Guangdong Province and the Guangdong-Hong Kong-Macao Greater Bay Area, and continued to increase the investment of credit funds in infrastructure connectivity and industrial transformation and upgrade, and supported a number of key construction projects in the Greater Bay Area such as Guangdong Power Grid, Guangzhou Metro, TCL, and CanSemi. The Bank worked with the members of China Life Group to help build the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor. During the reporting period, the Bank launched a new life-cycle service plan of "intelligent financing for science and technology innovation", addressing the financing needs of science and technology enterprises from the "seed stage", "start-up stage", "growth stage" to "mature stage", and continuously enhanced the support for science and technology enterprises. The Bank took the initiative to support the three projects of "Cantonese Cuisine Master", "Guangdong Mechanic" and "Southern Guangdong Home Service" in Guangdong Province, integrated the banking and insurance service resources within China Life Group, and introduced the innovative products "Famous Cantonese Cuisine Restaurant Loan", "Mechanic Service Loan" and "Home Service Loan". The Bank has developed the "Southern Guangdong Chef" card and the "Good Luck" card for Guangdong technicians, as well as the "Guardian" series of property insurance services.



Serve the dual-carbon goal and support the green finance and low-carbon development of the Greater Bay Area.

The Bank integrated into the overall layout of green finance of China Life Group. Firstly, the Bank supported green finance by innovative means, supported the construction of smart grid projects in Guangdong Province through carbon emission reduction tools, and provided carbon emission reduction project credit of RMB11 billion to ensure the energy security of the Greater Bay Area through finance. Secondly, the Bank supported green finance via insurance-banking cooperations, facilitated the development of the green and clean energy industry through the comprehensive operation platform of China Life Group, and innovated a new model of cooperation between banks and investment institutions. During the reporting period, the Bank worked closely with the members of China Life Investment Management Company Limited to invest in the public REIT project of Shenzhen Energy, which is China's first public REIT project in the clean energy field.



Diversify the financial supply and help Guangdong stabilize its foreign trade and upgrade its consumption.

Based on business demand and scenarios, the Bank continuously innovated products and services to meet diversified financial needs. Firstly, the Bank increased the service support for foreign trade enterprises in new business forms. By utilizing electronic channels, the Bank provided a one-stop platform of high-quality cross-border settlement and financing services for cross-border e-commerce, market procurement and other market entities. Secondly, the Bank strengthened the support of online settlement products, continued to build the Gangfa "cross-border instantaneousness" series products, and promoted the online, paperless and informatization of the whole process of cross-border settlement and financing business. Thirdly, The Bank launched an exclusive financial service plan for new citizens, collaborating with local government departments in the fields of entrepreneurship loans, housing financing, vocational education loans. In addition, the Bank strengthened product and service innovation based on local conditions to increase the accessibility and convenience of financial services for new citizens.

Operation and Management Characteristics



Comprehensive finance

As a member of China Life Group, the Bank adhered to the concept of “one customer, one China Life”, gave full play to its comprehensive financial advantages, supported the implementation of major national strategies and the development of the real economy, improved the supply quality of comprehensive financial products and services, met the growing diversified financial needs of the people, constantly strengthened synergy effects, and built differentiated advantages of comprehensive finance.



Serve the national strategy and support the development of the real economy

The Bank vigorously served the national development strategic areas such as the “the Belt and Road”, Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, and focused on key industries such as infrastructure, energy and power, advanced manufacturing, and health care for the elderly. The Bank launched a one-stop, full scene comprehensive financial service program, covering insurance capital investment, bank credit, transaction settlement, fund custody, and bond underwriting, and promoted the implementation of projects in key regions and fields. The cooperative investment and financing business under the comprehensive financial service model exceeded RMB480 billion at the end of 2022. The Bank integrated the resources in the insurance and investment sectors of China Life Group, and continued to deepen the headquarter cooperation with strategic customers through the “strategic customer visit” activity. During the reporting period, the Bank visited 105 strategic customers of China Life Group and their branches and subsidiaries, and cooperated with China Life Group’s members to provide comprehensive banking, insurance and investment services for strategic customers.



Innovate products and services, promote comprehensive customer management

The Bank took the lead to obtain the qualification of the private pension business, and cooperated with China Life’s members to promote the development of the third pillar of the pension system, build a new strategic business growth pole, serve more than 500,000 individual pension customers in pilot cities, and integrate characteristic advantage of comprehensive pension financial services in terms of “delivering pension service by China Life while opening a private pension account in CGB”. The Bank explored deep into the insurance customer service scenario, built the product service system of “Double Xin, Double Credit and Two Cards” around the all-around demand of consumption, credit and wealth management, and continued to upgrade and innovate multiple collaborative products. Firstly, the Bank upgraded the “Super Xin Xu Bao” project to provide the same level of banking service experience for insurance renewal customers, launched the “Insurance Trust 2.0”, and introduced the “Insurance+Capital” model to provide diverse options for the wealth inheritance needs of high-net-worth customers. Secondly, the Bank innovated the “Pengbao Loan” product to provide customers with the installment payment service of auto insurance. To meet the insurance demand of young and high-net-worth credit card users, the Bank promoted credit card products such as “Youyu Card” and “Dingji Card”. At the end of 2022, the Bank, in collaboration with the member of China Life Group, served more than 6 million debit and credit card customers. The financial assets of the individual customers exceeded RMB75 billion.



Benefit enterprises and the people, and serve people’s wellbeing

The Bank, worked closely with China Life Property and Casualty Insurance Company Limited to jointly upgrade the “anti-poverty loan”, build a close tie between poverty alleviation and rural revitalization, and adopt the mode of “insurance-banking” or “government-insurance-banking” to continue to provide financial precision assistance to the individuals who have been overcome poverty and met the national support conditions, thus transforming the comprehensive financial advantages into a powerful driving force to boost rural revitalization. During the reporting period, the Bank introduced nearly 200 insurance products from China Life and China Life Property and Casualty Insurance Company Limited, providing a matrix of comprehensive insurance services covering social governance, industrial upgrading, enterprise operation, employee welfare and other needs for more than 10,000 corporate customers.



Increase synergy advantages and develop new integrated services

The Bank took full advantage of the synergy of China Life Group and drew on the experience of insurance fund management services of China Life Group to provide more insurance institutions with three types of service support, namely fund clearing, investment matching and customer operation, and made every effort to build insurance financial service providers. The Bank launched the “collection and payment insurance” with the characteristic of centralized premium collection and payment, with 33 insurance companies signed up, covering central enterprises and China’s mainstream insurance institutions. The total number and amount of transactions increased by more than 50% compared with the same period last year. The Bank built the TMS, the insurance industry’s exclusive fund management system, to provide three exclusive service functions of intelligent payment management of insurance funds, intelligent account management and intelligent interface management, comprehensively improving the efficiency of fund management of insurance institutions. The Bank developed and improved the project management system and public opinion monitoring system of insurance debt investment plans, and provided professional and high-quality custody services to the insurance companies.



Retail finance

The Bank focused on building a large retail pattern, firmly highlighted the retail business, progressed steadily, and realized the synergies of reform and transformation and business development. During the reporting period, the retail business operation improved and the development momentum continued to increase.



Coordinate resources to enhance the synergies of business development

Focusing on synergistic linkage of resources to enhance business development synergy. Through means of platform co-construction, model co-construction, rights and interests exchange, data sharing, and talent transfer, the Bank strengthened the comprehensive sharing of resources, stimulated the multiplier effect, continued to strengthen the bank-wide awareness of collaborated development, and continuously improved the collaborative development. Firstly, the dual-card linkage achieved remarkable results. With the advantages of the credit card business, the Bank realized the interconnection between the dual-card user credit mall and the member system through the establishment of a mechanism, optimization of processes, and optimization of incentives, which led to the doubling of the balance of Wonderful Loans, a personal consumption loan product. Secondly, corporate-retail linkage continued to deepen strategic cooperation with corporate customers and improve the comprehensive service plan for corporate employees. Thirdly, the Bank promoted comprehensive finance in depth, strengthened cooperation with the group and its members, enhanced value customer management, and achieved a year-on-year increase of 14% in active retail customers, a year-on-year increase of more than 40% in financial assets of individual customers, and a year-on-year increase of 27% in premiums from new insurance policies.



Adhere to the concept of customer companionship and strengthen the product supply capacity



Focusing on the diversified, customized and comprehensive needs of customers, the Bank diversified and improved the hierarchical and classified product services, and created characteristic products. Firstly, the Bank created a Social Security Assistant scenario service for social security customers, upgraded the "awesome money" comprehensive service for wage distribution customers, launched the Repayment Bao benefits for credit card users, and upgraded the E-Second Loans for consumption credit customers. Secondly, the Bank actively responded to customers' wealth management needs, created "Smart Money" cash management products, strengthened the "Guangfa Selected" fund brand, launched "Guangfa Happy Investment", upgraded "Guangfa Smart Investment" and other fund investment tools, introduced financial pension products that meet different investors' preferences, becoming one of the first commercial banks to launch personal pension savings, pension funds, and pension insurance products, catering to the hierarchical needs of customers, and helping customers increase their assets. Thirdly, the Bank re-designed cards, upgraded Owner Series Card and True Love Card for the 80s generation, innovated and launched Youyu Card oriented for the young customer group, optimized the Dingji Card and Airline Card oriented for high-end customers, covering the mainstream customer groups with the main products, standing out in the competition of similar products in the market, creating a good reputation, upgrading from card products to card brands.



Science and technology empower innovative development and enhance the ability of value creation

The Bank has built a customer-centric intelligent customer management strategy system, continuously improved customer portrait labels, diversified scene-based strategies, built a dual-life cycle customer segmentation system based on customer life cycle changes, customer behavior changes, product life cycle changes, and external event changes, and reached customers at the most appropriate time point, channel, and form through data analysis and model iteration with the help of AI and big data technology, realized accurate recommendation of products and services, sorted out key business customers, realized accurate marketing of differentiated experiences, and constantly diversified and improved products, services, benefits, activities, and improve differentiated service capabilities to cater to various customer needs.



Corporate Profile

Corporate Profile

Statutory Names

Chinese name: 广发银行股份有限公司

(Abbreviation: 广发银行)

English name: China Guangfa Bank Co., Ltd.

(Abbreviation: China Guangfa Bank, CGB or Guangfa Bank)

Business Philosophy and Business Scope

Business Philosophy: Conduct various commercial banking businesses legally in line with the principles of equality, willingness, fairness and honesty; facilitate and support the development of national economy and the overall prosperity of society; and maximize the shareholders' value.

The Bank regards safety, liquidity and profitability as the principles for its operation, and operates independently at its own risk, assume sole responsibility for its profits and losses and be self-disciplined.

Business Scope: Taking public deposits; granting short-term, mid-term and long-term loans; handling domestic and overseas settlements; handling bills acceptance and discount; issuing financial bonds; issuing, paying for and underwriting government bonds as an agent; sales and purchases of negotiable securities such as government bonds and financial bonds; engaging in interbank borrowings; providing letters of credit service and guarantee; engaging in bank card business; acting as payment and receipt agent and insurance agent; providing safe deposit box services; taking deposits and granting loans in foreign currency; foreign currency remittance; foreign currency exchange; international settlements; foreign exchange settlements and sales; inter-bank foreign currency borrowings; handling acceptance and discount of bills in foreign currency; granting foreign currency loans; granting foreign currency guarantees; sales and purchases of negotiable securities other than shares in a foreign currency for itself and as an agent; issuing and making payments for foreign credit card as an agent; offshore financial operations; assets and credit verification, consultation and notarization businesses; other businesses approved by the CBIRC and other relevant authorities.

Legal Representative: Wang Kai

Secretary to the Board of Directors: Li Guangxin

Registered Office Address

No. 713 Dongfengdong Road, Yuexiu District, Guangzhou

Postcode: 510080

Service hotline of China Guangfa Bank: 400-830-8003

Guangfa credit card hotline: 95508

Website: www.cgbchina.com.cn

Place for Obtaining Annual Report

The Finance Department of the Bank

Other Relevant Information

The first registration date: 8 July 1988

The date of registration change: 28 June 2022

Authority of registration: Guangdong Administration for Market Regulation of People's Republic of China

Registered capital: RMB21,789,860,711.00

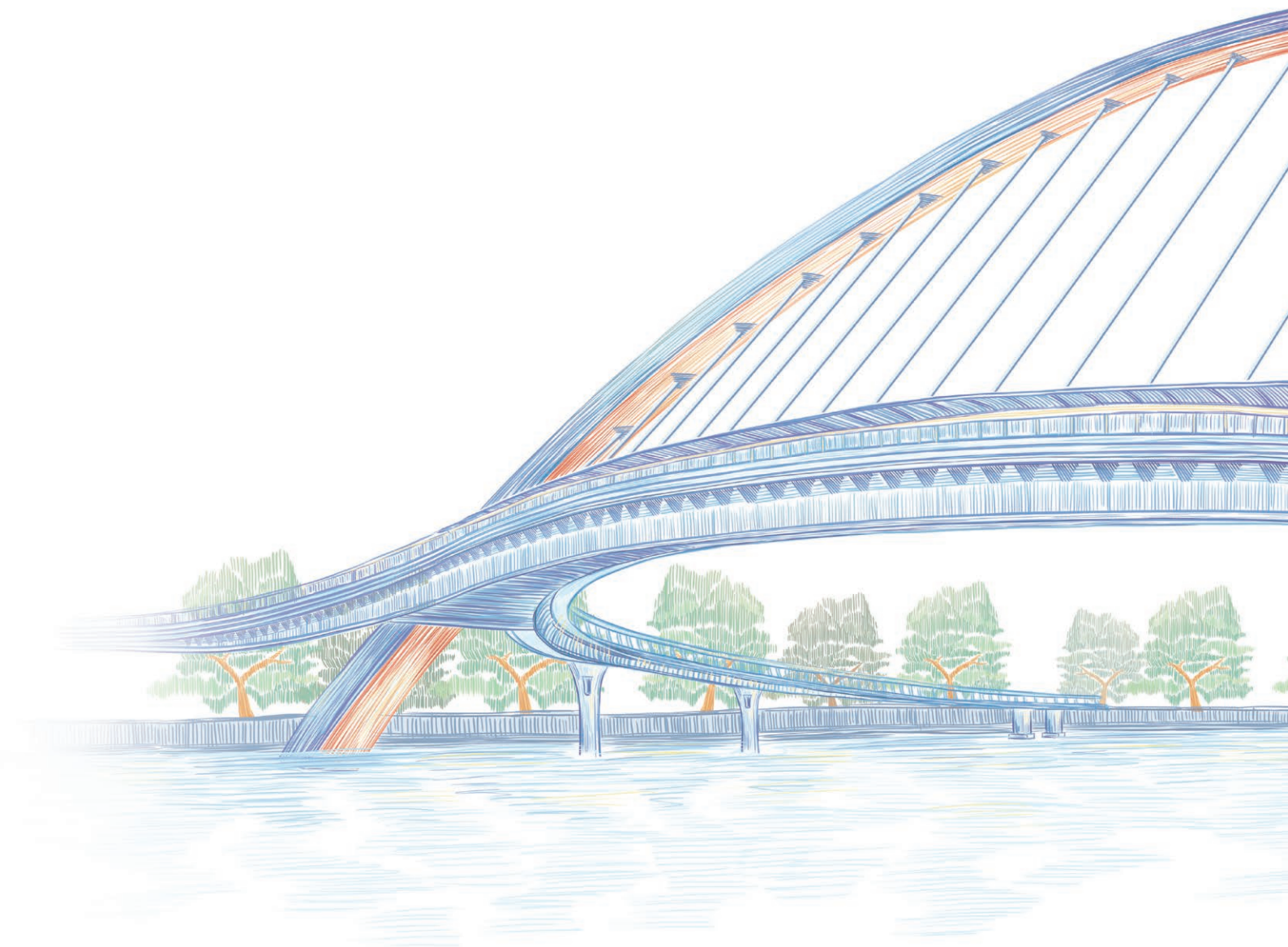
Unified social credit code: 91440000190336428Q

Institution No. of financial license: B0012H144010001

Engaged Auditors

Domestic auditor:	PricewaterhouseCoopers Zhongtian LLP
Office address:	Room 01, Unit 507, DBS Bank Tower, 1318 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone
Names of Signing Certified Public Accountants:	Yang Shangyuan, Lu Jian
International auditors:	PricewaterhouseCoopers Zhongtian LLP
Office address:	Room 01, Unit 507, DBS Bank Tower, 1318 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone

This report was disclosed in accordance with the requirements of China Banking and Insurance Regulatory Commission's Corporate Governance Standards for Banking and Insurance Institutions and Information Disclosure Measures for Commercial Banks.



Corporate Profile

Development Strategy

Since 2022, the Bank has conscientiously implemented the general strategy of “one layout, two paths, three-in-one bank”, earnestly promoted the work of strategic management, improved the strategic planning system, and established and improved the development planning matrix with the bank-wide planning as the core and the line and branch planning as the two wings. In accordance with the principle of “operability, feasibility and inspectability”, promote the decomposition and transmission of strategies, formulated the Implementation Plan for *the Promotion of the 14th Five-Year Development Plan of China Guangfa Bank*, decomposited and implemented the main development objectives and key tasks of the Bank, and effectively collaborated the general strategic planning with the headquarter and branch planning.

2023 is the first year to implement the spirit of the 20th National Congress of CPC. The Bank will thoroughly study, comprehend and implement the spirit, firmly carry out the decisions and deployments of the CPC Central Committee, comprehensively embody the political and people-oriented nature of finance, constantly improve the expertise, and make contribution to China’s modernization process.



Core Competence

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank insists on pursuing progress while maintaining stability, accurately grasps the new development stage, fully implements the new development concept, build a new development pattern, and thoroughly implements the "14th Five-Year Plan" and other special plans, consolidating the foundation for high-quality development.

Clear and firm development strategy. The Bank closely follows the national strategies, resolutely implements the decision and deployment of the CPC Central Committee, acclimates the development trend of the industry, taps its unique advantages, and continues to improve its corporate value and market position in accordance with the overall strategy of "focusing on serving the overall layout of China's modernization, adheres to the path of innovative development and light development, and builds a value-oriented, intelligent and comprehensive bank with the characteristics of China Guangfa Bank", devoted to building a first-class bank with substantial national influence. The Bank continues to improve the mechanism for implementing the decisions and deployment of the CPC Central Committee, strengthens the closed-loop management of the whole process of "communicating and learning, research and deployment, implementation, inspection and supervision, evaluation and assessment", formulates the strategic action plan with the full coverage of "one area with one policy", and continuously strengthens the coordinated development of serving Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and other national key regions. As the only joint-stock commercial bank with full coverage of "9+2" urban institutions in the Greater Bay Area, the Bank has the advantages in headquarters in the Bay Area, business layout, resources and customer base. The Bank promotes the development of the Bay Area with high-quality financial services to lead the high-quality development of the Bank.

Outstanding comprehensive financial advantages. The Bank takes full advantage of the general financial advantages of China Life Group and continues to strengthen the business collaboration with its members. The Bank has developed the general financial service plan for a wide range of scenarios and the four-party platform cooperation model for government, insurance, bank and enterprise, providing a one-stop general financial solution to serve the major national strategies and support the real economy, with a total investment of more than RMB480 billion. The Bank and the insurance sector of China Life have jointly developed the product system of "Double Xin, Double Credit and Two Cards" to meet the demand of individual insurance customers for general financial services such as consumption, credit and wealth management, serving more than 6 million individual customers. The Bank has continued to promote a comprehensive strategy and collaborative upgrading, built the most professional bank serving China's insurance industry, continuously strengthened the Bank's competitive advantage with general financial characteristics, and provided customers with high-quality, efficient and one-stop comprehensive services.

Innovation-driven effects continuously empower. The Bank firmly implements the national innovation-driven development strategy, continues to promote digital transformation, and built a "comprehensive, intelligent and ecological digital Guangfa Bank". The Bank has issued and implemented the "14th Five-Year Plan"- *Special Financial Technology Plan of China Guangfa Bank*, formulated the *Digital Transformation Plan of China Guangfa Bank*, established the Digital Strategy Committee, and improved the scientific and technological layout of "two locations and three centers". The Bank has established the Financial Technology

Innovation Committee, set up innovation laboratories, innovation funds and an innovation incubation mechanism, and held an innovation incubation competition to provide a mechanism and process supporting financial technology innovation. The Bank has launched Mobile Banking 8.0 to promote the overall digital and intelligent transformation through "smart+", "inclusive+" and "unbounded+"; the time for credit card issuance and approval has been shortened from 180 seconds to 10 seconds to the fastest, and the number of credit cards issuance has exceeded 100 million. The Bank adheres to the cross-border cooperation method of "industry+finance+technology" to build digital ecological products, and has launched professional service solutions in multiple industries, including smart manufacturing, smart life, smart chain, smart tourism, smart court, smart traffic, smart business, and smart park.

Internal risk control is scientific and effective. The Bank insists on strengthening comprehensive risk management and internal control and compliance construction to ensure high-quality development. The Bank has strengthened the comprehensive risk management system, established a comprehensive risk management platform, improved the risk management framework with a sound organization and clear responsibility boundaries, optimized the risk management process, explored the application of data analysis in the intelligent risk control scenario, and effectively improved the intelligent and refined risk management. The Bank has conducted the Year of Policy Compliance and Year of Compliance Performance Enhancement, strengthened the culture of internal control as the priority and compliance goes first, continued to strengthen the construction of the internal control compliance system, and further improved the comprehensive risk management and internal control management capabilities.

Reform and transformation with improved quality and efficiency. The Bank is strategy-oriented and customer-centered, and continued to deepen the reform, improving the efficiency of strategy implementation and quality of development. The Bank focuses on deepening reform, improving the corporate governance operation mechanism of overall leadership of the Party Committee, strategic decision-making of the Board of Directors, legal supervision of the Board of Supervisors, and management responsibility, and has constantly improved the modernization of the corporate governance system and governance capacity with the goal of improving corporate governance, strengthening compliance, consolidating the foundation of listing, and promoting high-quality development. The Bank continues to optimize its asset-liability structure, accelerates the development of capital-light business, fulfills the concept of light development through the whole business process, and takes the capital-saving development path. The Bank has reformed its marketing system, fully launched the transformation of outlet operation and management, upgraded the basic retail customer management strategy, built a retail customer membership system, and continued to diversify the wealth management product lineup; established a dedicated corporate marketing management team to consolidate the foundation of corporate customer base. The Bank has strengthened the construction of the talent team, implemented the HR reform plan, adjusted and optimized the HQ organizational structure, built a strong headquarters, and played the role of the command center of the whole bank; optimized the recruitment and training system to stimulate the vitality of the team. The Bank has stepped up the construction of corporate cultures. The team, compliance, and service cultures were deeply rooted in the mindset of the employees. The Bank released a new promotional video *Gather Three Rivers to Make Extraordinary Achievements*, continuing to improve the brand influence.

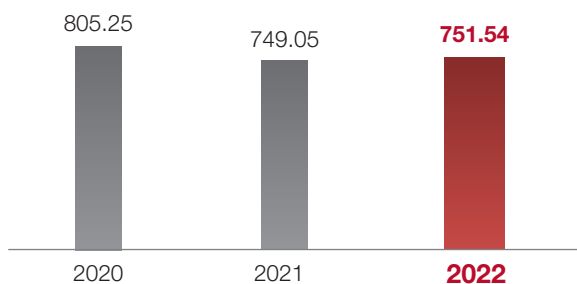
Summary of Accounting Data and Financial Indicators

Major Accounting Data and Financial Indicators

Item	2022	2021	2020
Annual operating results (RMB'000)			
Net interest income ¹	55,827,390	56,969,909	64,510,610
Net fee and commission income ¹	12,380,442	10,711,171	9,638,643
Operating income	75,153,958	74,904,656	80,525,379
Operating and administrative expenses	(26,513,790)	(27,265,839)	(23,076,037)
Credit and other asset impairment losses	(28,696,348)	(25,485,025)	(38,920,652)
Operating profit	19,005,164	21,228,691	17,518,516
Gross profit	19,089,303	21,259,096	17,577,744
Net profit	15,528,254	17,476,384	13,812,011
Net profit attributed to shareholders of ordinary shares	13,503,254	15,451,384	11,787,011
Net profit attributed to shareholders of ordinary shares after deducting non-recurring profit and loss	13,324,013	15,256,906	11,604,851
Net cash flow from operating activities	(38,659,857)	91,687,411	41,098,223

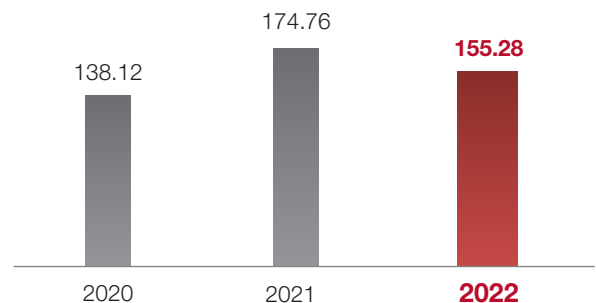
Operating income

Unit: RMB100 million



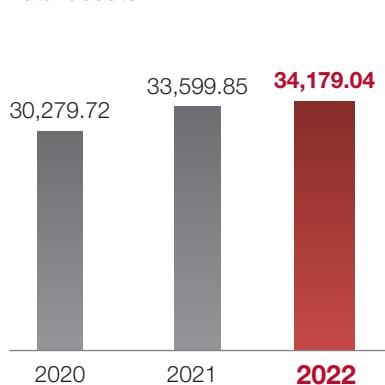
Net profit

Unit: RMB100 million

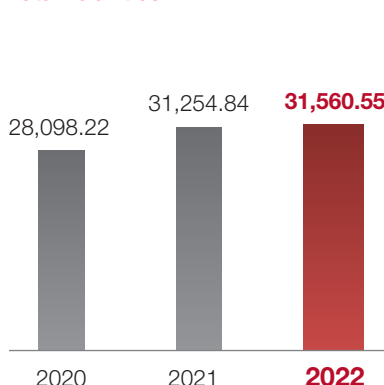


Item	2022	2021	2020
At the end of the reporting period (RMB'000)			
Total assets	3,417,904,232	3,359,984,546	3,027,971,997
Gross loans and advances to customers ²	2,056,093,345	2,022,379,482	1,803,981,418
Loan impairment allowances ³	(55,473,122)	(52,623,079)	(49,408,014)
Net Investment ²	951,854,989	763,384,302	725,754,606
Total liabilities	3,156,054,852	3,125,483,791	2,809,822,356
Deposits from customers ²	2,169,898,457	2,094,773,205	1,852,555,464
Deposits from banks and other financial institutions ²	372,539,205	524,142,226	464,918,582
Placements from banks and other financial institutions ²	65,057,041	62,817,384	16,666,558
Shareholders' equity	261,849,380	234,500,755	218,149,641
Net capital base	313,812,573	291,211,830	274,188,455
Net Tier-1 capital	258,161,084	231,700,892	215,998,834
Net risk-weighted assets	2,420,993,282	2,354,160,171	2,192,860,460
Data per share (RMB)			
Net assets per share	12.02	11.91	11.08
Net assets per share attributed to shareholders of ordinary shares	9.95	9.63	8.80
Basic earnings per share attributed to the shareholders of ordinary shares ⁴	0.62	0.78	0.60
Diluted earnings per share attributed to shareholders of ordinary shares ⁴	0.62	0.78	0.60
Basic earnings per share attributed to shareholders of ordinary shares after deducting non-recurring profit and loss ⁴	0.61	0.77	0.59
Net cash flow from operating activities per share	(1.77)	4.66	2.09

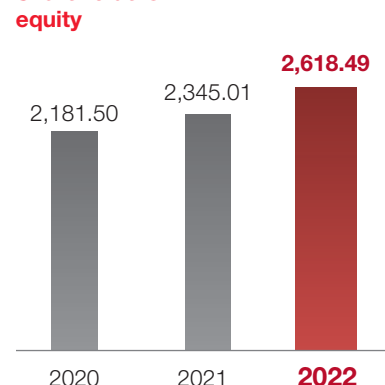
Total assets Unit: RMB100 million



Total liabilities Unit: RMB100 million



Shareholders' equity Unit: RMB100 million



Summary of Accounting Data and Financial Indicators

Item	Unit: %		
	2022	2021	2020
Profitability indicators			
ROAA	0.46	0.55	0.49
Return on weighted average net assets ⁴	6.40	8.52	6.98
Return on weighted average net assets after deducting non-recurring profit and loss ⁴	6.32	8.41	6.87
Net interest spread ¹	1.68	1.79	2.27
Net interest margin ¹	1.81	1.93	2.40
Net fee and commission income to operating income ratio ¹	16.47	14.30	11.97
Cost-to-income ratio	35.28	36.40	28.66
Asset quality indicators			
Non-performing loan ratio (NPL ratio)	1.64	1.41	1.55
Provision coverage ratio	165.83	186.27	178.32
Provision ratio of loan	2.72	2.63	2.76
Capital adequacy indicators			
Core Tier-1 capital adequacy ratio ⁵	8.81	7.93	7.80
Tier-1 capital adequacy ratio ⁵	10.66	9.84	9.85
Capital adequacy ratio ⁵	12.96	12.37	12.50

- Notes
- The Group has adjusted the income from loans and comparable data during the previous period accordingly based on the requirements on the standard.
 - Pursuant to the "Notice of the Ministry of Finance on Revising the Format of 2018 Financial Statements for Financial Enterprises" (Caikuai [2018] No.36), the financial instrument interest provided based on the effective interest method shall be included in the book balance of the corresponding instrument and reflected in related statements but not listed as the item of "interest receivable" or "interest payable". The balance of "interest receivable" or "interest payable" listed in the item of "other assets" or "other liabilities" only refers to the interest receivable due or payable due for related financial instruments but not been received or paid yet as at the balance sheet date. Since the Annual Report 2019, the Bank has adjusted related contents of the financial statements and notes pursuant to the above requirement.
 - Only the loan impairment allowances measured by amortized cost were included.
 - Return on net assets and earnings per share were calculated in accordance with No.9 – Rules on Preparation of Information Disclosures of Companies Publicly Issuing Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) and Accounting Standards for Business Accounting No. 34 – Earnings per Share. Among them, the Bank issued RMB45.0 billion undated capital bonds ("perpetual bonds") in September 2019 and paid an interest of RMB2.025 billion for the perpetual bonds in September 2022, September 2021 and September 2020, respectively. In the calculation of "earnings per share" and "return on average weighted net assets", the interest on perpetual bonds issued has been deducted from the numerator.
 - Calculated in accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).

Supplementary Financial Ratios

Unit: %

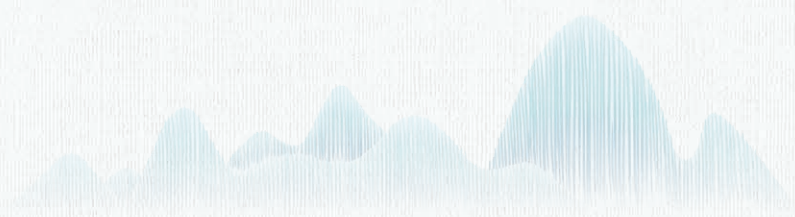
Key Indicator		Regulatory Indicator	End of 2022	End of 2021	End of 2020
Liquidity ratio	Converted into RMB	≥25	59.18	72.54	70.81
The proportion of loans to the largest borrower to net capital		≤10	2.37	1.52	1.18
The proportion of loans to the top 10 borrowers to net capital			13.67	11.58	10.57



Drawing up
a blueprint for Party
building-driven
development, the Bank will
embark on a new journey
for a shared dream



Adhering to Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank has researched into and implemented the guiding principles of the 20th National Congress of the Party Central Committee, and upheld and strengthened the Party leadership. With an accurate understanding of the new development stage, the Bank will carry out the new development philosophy on a comprehensive scale, and keep building on the new and high-quality development paradigm driven by Party building to advance the great rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization. 🌸



Economic, Financial and Macroeconomic Environment

During the reporting period, global inflation remained high. Most economies have tightened their monetary policies. Due to many factors such as the Russia-Ukraine war, world economic activities have generally weakened. In the face of the stormy international environment and the challenging task of domestic reform, development and stability, China has intensified the macro-control, actively responded to the impact of uncertainties, steadily improved the quality of development, and stabilized the overall economic and social situation. The monetary policy has adhered to the principle of giving priority to the domestic economy while taking into account the internal and external balance to provide more powerful and high-quality stimulation for the real economy. In 2022, RMB loans increased by RMB21.31 trillion, an increase of RMB1.36 trillion year-on-year. The balance of RMB loans, broad money (M2) and the scale of social financing increased by 11.1%, 11.8% and 9.6% respectively year on year. The total assets of banking financial institutions reached RMB379.4 trillion, increasing 10% year on year. The non-performing loan ratio of commercial banks was 1.63%, decreasing 0.1 percentage points year-on-year.

Looking forward to 2023, the Central Economic Work Conference proposed to follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th CPC National Congress, promote Chinese-style modernization, and adhere to the overall work tone of seeking progress while maintaining stability. A prudent monetary policy should be precise and effective. Reasonable and sufficient liquidity must be maintained. The growth of the broad money supply and social financing should match the nominal growth rate. Financial institutions should be guided to supply more support for small and micro enterprises, technological

innovation, green development and other fields. Positive fiscal policies will improve the efficiency of maintaining the necessary fiscal expenditure, optimizing the combination of deficit, special bonds, interest subsidy and other tools, and ensuring fiscal sustainability and controllable risk of local government debt while effectively stimulating high-quality development. Industrial policies should be concentrated on both development and security. Technological policies should be focused on self-reliance and self-improvement. Social policies should defend the bottom line of people's livelihood, strengthen the coordination and cooperation of various policies, and create synergies to promote high-quality development. With intensive macro-policy regulations, coordination of various policies, and synergies to promote high-quality development, China's economy is expected to rally, realize qualitative and reasonable growth, continue to expand domestic demand, steadily improve the modern industrial system, accelerate the construction of manufacturing, quality, aerospace, transportation, network competitiveness and digital China. China will continue to develop the intelligent and environmental high-end manufacturing, integrate the digital economy and the real economy, bringing substantial business opportunities for the development of the banking industry.

In addition, in the face of uncertainties of the external environment, the triple pressures of demand contraction, supply shock and expected recession faced by China's economic development still remained heavy, which bring pressures and challenges to the transformation and upgrading of the banking industry. The industry competition pattern evolution paces up. Digital empowerment, light-weight development and characteristic operation will become important trends of the future development of the banking industry.



Review of Operations

General Business Overview

The Bank unswervingly implemented the decisions and arrangements of the CPC Central Committee, adhered to the general tone of seeking progress while maintaining stability, focused on the working mindset of “two stability, two control, and five improvements” of the Party Committee of Life Group, and achieved steady progress in all sectors. By the end of 2022, the Group’s total assets reached RMB3.42 trillion, increasing by 1.72% from the beginning of the year. The balance of local and foreign deposits totaled RMB2.17 trillion, and the balance of loans in local and foreign currencies totaled RMB2.06 trillion, increasing by 3.59% and 1.67% respectively from the beginning of the year. The annual operating income reached RMB75.154 billion, with a year-on-year increase, of which the net

income of commission fees increased by 15.58%, and the net profit reached RMB15.528 billion, stabilizing the operating efficiency. The non-performing loan ratio was 1.64%, the provision coverage rate reached 165.83%, the core tier-one capital adequacy ratio reached 8.81%, and the main regulatory indicators remained stable. The Bank obtained the important business qualifications including the first batch of personal pension business pilot banks, the depository cooperative bank of the Guangzhou Futures Exchange, and the combined local and foreign currency bank settlement account. The Bank established four tier-two branches in Yibin, Guang’an, Bengbu, and Shanwei. The capital operation center was licensed for operation. In January 2023, the Bank established the Hohhot tier-one branch, steadily improving its influence in the financial market.



Review of Operations

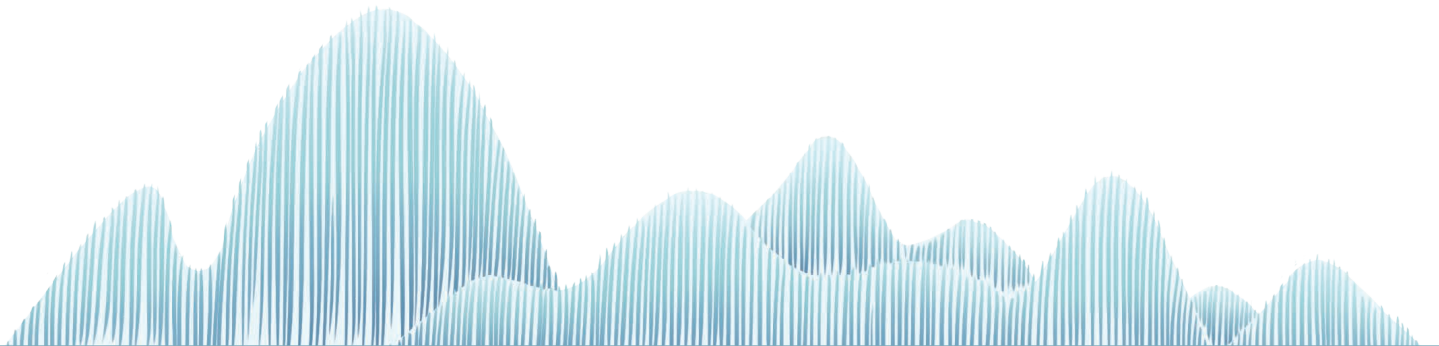
Business Management

Fulfill the undertaking of serving the overall layout.

The Bank vigorously supported the stabilization of the overall economy and effectively served the development of the real economy. The Bank's green credit, strategic emerging industry, and medium and long-term manufacturing loans increased by 98.47%, 105.18% and 20.48% respectively from the beginning of the year. The total amount of fee reduction and interest concessions for the whole year was RMB3.367 billion. The amount of deferred repayment of principal and interest for inclusive small and micro enterprises was RMB12.080 billion. The Bank helped to expand domestic demand and benefit the people's livelihood, and actively supported the diversified consumption demand of residents. The total consumption of credit cards throughout the year was RMB2.49 trillion. The growth rate of housing mortgage loans of the Bank is higher than the average of joint-stock commercial banks. The balance of self-operated credit consumer loans increased by more than 40% from the beginning of the year. The Bank fueled the steady and healthy development of the real estate market, refined the implementation of the 16 financial measures, and approved 65 new real estate project loan relief projects in 2022, with an amount of more than RMB25 billion. The Bank fully supported rural revitalization. The balance of inclusive agricultural loans issued by the Bank increased by 19.01% from the beginning of the year. The Bank provided relief funds of RMB6 million to the four designated counties of China Life Group.

Improve the quality and efficiency of business development.

The comprehensive service for corporate business has been continuously improved. The balance of core corporate deposits increased by 14.79% from the beginning of the year. The underwriting amount of debt financing instruments exceeded RMB100 billion for the first time. Exclusive programs such as "Guangshang Hui", "High-tech Enterprise E-loan", and "Guarantee E-loan" were launched. The cooperation with strategic customers such as China Southern Power Grid, China Southern Airlines, China Eastern Airlines and China Poly Group Corporation has been further deepened. The systematic construction of the retail business was accelerated. The balance of personal deposits increased by 20.76% from the beginning of the year. The number of active personal accounts reached 7.4 million, which is a record-high net increase of the whole year. The servicing capacity of products has been continuously improved. The sales volume of "GF Smart Investment" exceeded RMB10 billion, with 140,000 new automatic investment plan accounts. The Social Security Assistant service exceeded 600,000 times. The number of cross-border financial management business ranked the first among the joint-stock commercial banks. The year-on-year growth rate of the rapid payment business volume ranked the first among the joint-stock commercial banks. The regulatory rating of consumer protection was significantly improved. The credit card business has grown steadily, with a total of 109 million cards issued. The revenue from the financial market business increased stably. The asset custody scale increased by 14.18% year on year. The capital operation center was licensed and opened. The bank became one of the first batch of futures margin depository banks of Guangzhou Futures Exchange.



Continue to promote the strategic businesses. The digital transformation and upgrading were accelerated. The construction of digital Guangfa Bank and ecological Guangfa Bank was vigorously promoted. The smart brain project was put into operation. The Discover Wonders app created differentiated experiences, with an average number of 17.97 million active customers per month. The new subscribers of the Enterprise WeChat account of retail and credit card business reached 5 million. Mobile Banking was upgraded and the three-dimensional service model of “smart+remote+offline” was continuously improved. An industry cloud platform was built, developing five series of digital products including finance and taxation, HR, trade union, justice and people’s livelihood, attracting 932 enterprise customers and 33,800 retail customers. The scale of the comprehensive financial business continued to grow. The sales amount of life insurance and property insurance of China Life reached RMB1.953 billion. 65 investment and financing projects were implemented jointly with the investment sector of China Life, with a total amount of RMB77.7 billion. The cooperative channel served 5.39 million retail customers, with an annual daily average financial assets of individual customers of RMB74.8 billion. The internal synergy has achieved initial success. The guiding effect of credit card customers has been significantly enhanced. The number of new debit card customers reached 1.46 million throughout the year, and about RMB17 billion of new loans have been allocated by the card-credit linkage, increased by 130% year on year. The public-private linkage continued to contribute 290,000 individual customers of the salary payment service, including more than 30,000 new customers from the China Eastern Airlines during the year, and built business cooperation with China Southern Power Grid, such as co-branded credit card and electricity deposit business.

Effectively strengthened internal risk control. The Bank strengthened the capacity of risk management, improved the comprehensive risk management system, implemented the “ten prohibitions” and “ten musts” for credit management personnel, and increased the frequency of communication and rotation of risk management personnel. The Bank strengthened risk control in key fields, closely guarded against the concentration risk of large enterprises, resolved real estate risks by “one policy for one account”, actively responded to the default risk, and adjusted the risk exposure of high-risk credit card customers in a timely manner. The Bank resolved and disposed of major and difficult non-performing projects left over from the past, and launched the batch transfer of non-performing retail loans for the first time. The Bank enhanced the construction of the internal control and compliance system, launched the Year of System Compliance and Year of Compliance Performance Enhancement, held the first Legal Compliance Competition, implemented the compliance performance checklist, launched the suspicious money laundering transaction reporting system, and completed the bank-wide money laundering risk self-assessment. The bank effectively played the role of auditing as the third line of defense, strengthened supervisions over key areas such as credit approval, risk prevention and control, promoting standard and orderly operation and management.



Financial Statement Analysis

Income Statement Analysis

During the reporting period, the Group realized an operating income of RMB75.154 billion, an increase of RMB249 million compared with previous year or 0.33% year on year, of which net fee and commission income maintained steady growth. The Group realized a net profit of RMB15.528 billion, a decrease of RMB1.948 billion compared with previous year or 11.15% year on year, mainly due to reasonably increased provisions and effective response to risks arising from market changes.

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth rate (%)
Operating income	75,153,958	74,904,656	249,302	0.33
Including: Net interest income	55,827,390	56,969,909	(1,142,519)	(2.01)
Net fee and commission income	12,380,442	10,711,171	1,669,271	15.58
Other non-interest income	6,946,126	7,223,576	(277,450)	(3.84)
Taxes and surcharges	(937,601)	(911,984)	(25,617)	2.81
Operating and administrative expenses	(26,513,790)	(27,265,839)	752,049	(2.76)
Credit impairment loss	(28,753,167)	(25,476,171)	(3,276,996)	12.86
Other asset impairment losses	56,819	(8,854)	65,673	(741.73)
Other operating costs	(1,055)	(13,117)	12,062	(91.96)
Net amount of non-operating incomes and expenses	84,139	30,405	53,734	176.73
Profit before income tax	19,089,303	21,259,096	(2,169,793)	(10.21)
Income tax	(3,561,049)	(3,782,712)	221,663	(5.86)
Net profit	15,528,254	17,476,384	(1,948,130)	(11.15)

Interest Income

During the reporting period, the Group realized an interest income of RMB129.344 billion, a decrease of RMB309 million compared with the previous year or 0.24% year on year, mainly attributable to the fact that the Group actively served to real economy and reduced corporate financing costs, and at the same time, the loan yield was affected by the multiple downgrades of LPR and the overall interest income was declined.

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth rate (%)
Interest income from loans	100,818,002	101,308,938	(490,936)	(0.48)
Including: Corporate loans	37,341,871	39,781,867	(2,439,996)	(6.13)
Individual loans ¹	57,959,044	55,420,502	2,538,542	4.58
Discounted bills	5,517,087	6,106,569	(589,482)	(9.65)
Interest income from investments in financial assets ²	21,623,548	20,099,657	1,523,891	7.58
Interest income from deposits with the Central Bank	2,739,511	2,929,519	(190,008)	(6.49)
Interest income from placements with banks and other financial institutions	1,977,044	2,653,537	(676,493)	(25.49)
Interest income from financial assets held under resale agreement	2,086,030	2,622,712	(536,682)	(20.46)
Interest income from deposits with banks and other financial institutions	99,770	38,856	60,914	156.77
Total	129,343,905	129,653,219	(309,314)	(0.24)

Note: 1. The Group adjusted the loan-related income and the comparable data for the same period accordingly based on the requirements of the standard.
 2. Investments in financial assets include investment in creditor's rights listed pursuant to the New Financial Instrument Standards and other investments in creditor's rights. Unless otherwise stated, financial assets investment items in this section of "Interest income" shares the same calculation basis as "Net interest income".

Interest Expense

During the reporting period, the Group's interest expenses were RMB73.517 billion, an increase of RMB833 million over the previous year or 1.15% year on year, mainly due to the continuous increase in the volume of deposits and the increase in interest expenses on deposits accordingly.

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth rate (%)
Interest expenses for deposits	53,856,054	50,520,200	3,335,854	6.60
Interest expenses of loans from the Central Bank	303,577	2,136,000	(1,832,423)	(85.79)
Bond interest expenses	9,018,451	7,601,106	1,417,345	18.65
Interest expenses of deposits from banks and other financial institutions	8,423,283	11,463,322	(3,040,039)	(26.52)
Interest expenses of placements from banks and other financial institutions	935,968	353,066	582,902	165.10
Interest expenses of financial assets sold under repurchase agreements	979,182	609,616	369,566	60.62
Total	73,516,515	72,683,310	833,205	1.15

Financial Statement Analysis

Net Interest Income

During the reporting period, the Group realized a net interest income of RMB55.827 billion, a decrease of RMB1.143 billion over the previous year or 2.01% year on year, mainly attributable to the fact that the Group actively responded to policies of supporting the real economy, reduced corporate financing costs for corporations, and at the same time the loan yield was affected by the multiple downgrades of LPR and the overall interest income was declined.

Interest-earning assets and interest-bearing liabilities

Unit: RMB'000

Item	2022			2021		
	Daily average balance	Interest income/expenses	Average yield/cost (%)	Daily average balance	Interest income/expenses	Average yield/cost (%)
Assets						
Loans and advances to customers	2,041,139,718	100,818,002	4.94	1,942,197,095	101,308,938	5.22
Investment in financial assets ¹	633,052,279	21,623,548	3.42	541,656,060	20,099,657	3.71
Deposits with the Central Bank	197,235,733	2,739,511	1.39	217,742,747	2,929,519	1.35
Deposits and placements with banks and other financial institutions ²	212,879,948	4,162,844	1.96	253,445,211	5,315,105	2.10
Total interest-earning assets	3,084,307,678	129,343,905	4.19	2,955,041,113	129,653,219	4.39
Liabilities						
Deposits from customers	2,102,336,612	53,856,054	2.56	1,985,247,864	50,520,200	2.54
Loans from the Central Bank	10,919,748	303,577	2.78	71,305,479	2,136,000	3.00
Deposits and placements from banks and other financial institutions ³	483,738,578	10,338,433	2.14	498,207,700	12,426,004	2.49
Bonds payables	329,159,294	9,018,451	2.74	244,802,435	7,601,106	3.10
Total interest-bearing liabilities	2,926,154,232	73,516,515	2.51	2,799,563,478	72,683,310	2.60
Net interest income ⁴		55,827,390			56,969,909	
Net interest spread			1.68			1.79
Net interest margin			1.81			1.93

- Note:
- Investments in financial assets include investment in creditor's rights and other investments in creditor's rights listed pursuant to the New Financial Instrument Standards.
 - Deposits and placements with banks and other financial institutions mainly include deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.
 - Deposits and placements from banks and other financial institutions mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.
 - The Group adjusted the loan related incomes and the comparable data for the same period accordingly based on the requirements of the standard.

Categories, Daily Average Balance, and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate (%)
Loans	2,041,139,718	4.94
Including: General loans (excluding discounted amount)	1,767,344,659	5.39
Discounted amount	273,795,059	2.02

Main Categories, Daily Average Balance, and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate (%)
Deposit	2,102,336,612	2.56
Including: Corporate deposits	1,619,329,328	2.59
Individual deposit	483,007,284	2.48

Changes of the net interest income and volume and interest rate

Unit: RMB'000

	Causes for change (2022 versus 2021)		
	Volume	Interest rate	Net increase/ (decrease)
Assets			
Loans and advances to customers	5,161,048	(5,651,984)	(490,936)
Investment in financial assets	3,391,511	(1,867,620)	1,523,891
Deposits with the Central Bank	(275,902)	85,894	(190,008)
Deposits and placements with banks and other financial institutions	(850,710)	(301,551)	(1,152,261)
Change of interest income	7,425,947	(7,735,261)	(309,314)
Liabilities			
Deposits from customers	2,979,652	356,202	3,335,854
Loans from the Central Bank	(1,808,892)	(23,531)	(1,832,423)
Deposits and placements from banks and other financial institutions	(360,881)	(1,726,690)	(2,087,571)
Bonds payables	2,619,277	(1,201,932)	1,417,345
Change of interest expense	3,429,156	(2,595,951)	833,205
Change of net interest income	3,996,791	(5,139,310)	(1,142,519)

Note: The change attributable to volume change is measured based on the change of the average balance, and the change attributable to interest rate change is measured based on the change of the average interest rate. The changes attributable to both volume and interest rate changes are reflected in the change of interest rate.

Financial Statement Analysis

Net Interest Spread and Net Interest Margin

During the reporting period, the Bank's net interest spread was 1.68%, a decrease of 11 basis points over the previous year. The net interest margin was 1.81%, a decrease of 12 basis points from the previous year. The asset side continued to benefit the real economy and reduce the financing cost of real economy, making the asset yield reduce 20 basis points; the liability side was influenced by the overall downward trend of the terminal interest rate in funding and bond market, and the liability cost of banks and other financial institutions fell, making the liabilities interest payment rate reduce 9 basis points.

Item	2022 (%)	2021 (%)	Increase or decrease (basis point)
Yield on interest-bearing assets	4.19	4.39	(20)
Interest rate of interest-bearing liabilities	2.51	2.60	(9)
Net interest spread	1.68	1.79	(11)
Net interest margin	1.81	1.93	(12)

Non-interest income

During the reporting period, the Group realized non-interest net income of RMB19.327 billion, an increase of RMB1.392 billion over the previous year or 7.76% year on year, mainly attributable to the continued growth in income from bank card fees.

Unit: RMB'000

Item	2022	2021	Increase/decrease	Growth Rate (%)
Net fee and commission income ¹	12,380,442	10,711,171	1,669,271	15.58
Investment gains	8,534,483	7,256,181	1,278,302	17.62
Gains arising from changes in fair value	(2,375,608)	(672,763)	(1,702,845)	N/A
Foreign exchange gains	642,016	433,534	208,482	48.09
Other income ²	145,235	206,624	(61,389)	(29.71)
Total	19,326,568	17,934,747	1,391,821	7.76

Note: 1. The Group adjusted the loan related accounting standard of credit card income and the comparable data for the same period was adjusted accordingly based on the requirements of the standard.

2. Includes other business income, gains from asset disposal and other gains.

Breakdown of net fee and commission income

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth Rate (%)
Fee and commission income:				
Settlement and clearing fees	590,543	468,678	121,865	26.00
Agency service fees	1,111,792	1,124,380	(12,588)	(1.12)
Bank card fees	13,273,096	11,483,818	1,789,278	15.58
Consultancy and advisory fees	251,830	213,473	38,357	17.97
Assets custody fees	567,437	613,116	(45,679)	(7.45)
Guarantees and commitment fees	720,626	524,380	196,246	37.42
Commission on wealth management products	392,830	436,961	(44,131)	(10.10)
Bond underwriting fees	496,946	595,844	(98,898)	(16.60)
Others	79,603	90,253	(10,650)	(11.80)
Sub-total	17,484,703	15,550,903	1,933,800	12.44
Less: Fee and commission expenses	5,104,261	4,839,732	264,529	5.47
Net fee and commission income	12,380,442	10,711,171	1,669,271	15.58

Operating and Administrative Expenses

During the reporting period, the Group's operating and administrative expenses were RMB26.514 billion, a decrease of RMB752 million compared with the previous year or 2.76% year on year, mainly attributable to a year-on-year decrease in overall expenses resulted from the impact of the change of external market environment and strengthened cost control of the Group.

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth Rate (%)
Staff costs	15,658,209	16,282,938	(624,729)	(3.84)
Depreciation, amortization and lease expenses	4,212,778	3,896,081	316,697	8.13
Other operating and administrative expenses	6,642,803	7,086,820	(444,017)	(6.27)
Total	26,513,790	27,265,839	(752,049)	(2.76)

Financial Statement Analysis

Impairment losses of credit and other assets

During the reporting period, the Group reported the provision of asset impairment loss of RMB28.696 billion, an increase of RMB3.211 billion over the previous year or 12.60% year on year, mainly due to the increase in impairment loss on provisions affected by changes in the external market environment.

Unit: RMB'000

Item	2022	2021	Increase/ decrease	Growth Rate (%)
Impairment losses on loans and advances to customers	28,478,488	23,671,149	4,807,339	20.31
Impairment losses on investment in financial assets	335,792	1,046,791	(710,999)	(67.92)
Impairment losses on inter-bank business	(17,088)	242,063	(259,151)	(107.06)
Impairment losses on off-balance sheet operations	(101,420)	449,458	(550,878)	(122.56)
Impairment losses on debt assets	(56,940)	8,854	(65,794)	(743.09)
Other	57,516	66,710	(9,194)	(13.78)
Total	28,696,348	25,485,025	3,211,323	12.60

Balance Sheet Analysis

Assets

At the end of 2022, the Group's total assets were RMB3,417.904 billion, an increase of RMB57.920 billion or 1.72% compared with the beginning of the year. Net investment increased rapidly, by RMB188.471 billion, an increase of 24.69% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Gross loans and advances to customers	2,056,093,345	60.15	2,022,379,482	60.19
Less: Loan impairment allowances ¹	(55,473,122)	(1.62)	(52,623,079)	(1.57)
Net loans and advances to customers	2,000,620,223	58.53	1,969,756,403	58.62
Net investment	951,854,989	27.85	763,384,302	22.72
Cash and deposits with the Central Bank	201,911,645	5.91	331,312,342	9.86
Net deposits and placements with banks and other financial institutions	75,279,043	2.20	75,155,363	2.24
Financial assets held under resale agreement	122,681,971	3.59	151,902,214	4.52
Other	65,556,361	1.92	68,473,922	2.04
Total	3,417,904,232	100.00	3,359,984,546	100.00

Note: 1. Only includes the loan impairment allowances measured by amortized cost.

Loans

At the end of 2022, the Group reported a loan balance of RMB2,056.093 billion, an increase of RMB33.714 billion or 1.67% compared with the beginning of the year.

Loans by Business Category

At the end of 2022, the Group's effective credit loans demand declined due to the external market environment and credit loan releasing slowed down compared with the previous year. The Bank reported a corporate loan balance of RMB871.764 billion, a decrease of RMB909 million or 0.10% compared with the beginning of the year. The Group reported an individual loan balance of RMB902.827 billion, a decrease of RMB124 million or 0.01% compared with the beginning of the year. The discounted amount was RMB275.416 billion, an increase of RMB34.532 billion or 14.34% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage(%)
Corporate loans	871,763,760	42.40	872,672,439	43.15
Including: Working capital loan	608,391,818	29.59	586,681,753	29.01
Fixed asset loans	220,171,453	10.71	247,611,111	12.24
Trade financing	9,667,199	0.47	14,451,282	0.72
Other corporate loans	33,533,290	1.63	23,928,293	1.18
Individual loans	902,827,141	43.91	902,950,800	44.65
Including: Individual housing mortgage	284,844,741	13.85	279,927,210	13.84
Credit card overdraft	439,688,628	21.39	452,345,153	22.37
Other individual loans	178,293,772	8.67	170,678,437	8.44
Discounted amount	275,415,821	13.39	240,883,672	11.91
Accrued interest	6,086,623	0.30	5,872,571	0.29
Total	2,056,093,345	100.00	2,022,379,482	100.00

Note: Discounted amount comprises the amounts of bill discounting, letter of credit discounting, forfeiting, and document negotiation of domestic letter of credit.

Financial Statement Analysis

Loans Classified by Region

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	508,836,583	24.75	518,736,132	25.66
Yangtze River Delta	355,254,757	17.28	348,078,530	17.21
Pearl River Delta	486,941,810	23.68	469,443,969	23.21
Bohai Rim	270,886,686	13.17	273,648,065	13.53
Central and Western Regions	401,880,921	19.55	385,293,169	19.05
Overseas	26,205,965	1.27	21,307,046	1.05
Accrued interest	6,086,623	0.30	5,872,571	0.29
Total	2,056,093,345	100.00	2,022,379,482	100.00

Loans by type of collateral

Unit: RMB'000

Type of collateral	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Unsecured loans	821,311,366	39.95	807,244,480	39.92
Guaranteed loans	591,724,635	28.78	553,240,904	27.36
Loans secured by mortgages	561,000,988	27.28	563,520,603	27.86
Loans secured by pledges	75,969,733	3.69	92,500,924	4.57
Accrued interest	6,086,623	0.30	5,872,571	0.29
Total	2,056,093,345	100.00	2,022,379,482	100.00

Top 10 borrowers

At the end of 2022, the Group's largest single client totalled RMB7.450 billion, accounting for 0.36% of the total end-of-period loan balance and 2.37% of the net capital.

Unit: RMB'000

Borrower	Balance of loans	Percentage of net capital (%)	Percentage of total end-of-period loan balance (%)
Client 1	7,450,000.00	2.37	0.36
Client 2	6,879,260.00	2.19	0.33
Client 3	4,542,600.00	1.45	0.22
Client 4	4,209,247.00	1.34	0.21
Client 5	4,000,000.00	1.27	0.19
Client 6	3,568,476.52	1.14	0.17
Client 7	3,258,601.02	1.04	0.16
Client 8	3,000,000.00	0.96	0.15
Client 9	3,000,000.00	0.96	0.15
Client 10	2,987,500.00	0.95	0.15
Total	42,895,684.54	13.67	2.09

Note: The statistics of the top 10 borrowers include discounts.

Financial Statement Analysis

Investment

The Group's financial assets held for trading, debt investments, other debt investments, other equity investments, and long-term equity investments included securities, funds, beneficiary interests plan, equity investments, and other financial assets.

Investments by accounting items

At the end of 2022, the Group reported an investment balance of RMB951.855 billion, an increase of RMB188.471 billion or 24.69% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets held for trading	168,934,934	17.75	142,955,975	18.72
Debt investments	460,772,399	48.41	408,086,317	53.46
Other debt investments	319,798,875	33.60	210,227,708	27.54
Other equity investments	2,348,781	0.24	2,114,302	0.28
Long term equity investments	-	-	-	-
Total	951,854,989	100.00	763,384,302	100.00

Investments by type of investment products

During the reporting period, the Group increased the support to local economy and appropriately increased investment on local government bonds, as well as reasonably increased the allocation of financial bonds according to market changes.

Unit: RMB'000

Category	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	417,754,512	43.89	330,064,083	43.24
Central bank bills and financial bonds	315,306,519	33.12	216,506,808	28.36
Other bonds ¹	29,791,769	3.13	22,662,128	2.97
Other investments ²	189,002,189	19.86	194,151,283	25.43
Long-term equity investment	-	-	-	-
Total	951,854,989	100.00	763,384,302	100.00

Notes: 1. Other bonds mainly refer to corporate bonds.

2. Other investments mainly include investments in funds, beneficial interests of trust investment plans, beneficial interests of asset management plans, etc.

Investments by remaining maturity

Unit: RMB'000

Remaining maturity	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated	2,348,781	0.25	2,114,302	0.28
Within 3 months	144,705,798	15.20	142,283,948	18.64
3-12 months	165,608,477	17.40	97,365,063	12.75
1-5 years	385,999,760	40.55	284,631,344	37.29
Over 5 years	253,192,173	26.60	236,989,645	31.04
Total	951,854,989	100.00	763,384,302	100.00

Long-term Equity Investments

During the reporting period, the Group did not hold any long-term equity investment.

Liabilities

At the end of 2022, the Group reported total liabilities RMB3,156.055 billion, an increase of RMB30.571 billion or 0.98% from the beginning of the year.

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	2,169,898,457	68.75	2,094,773,205	67.02
Deposits from banks and other financial institutions	372,539,205	11.81	524,142,226	16.77
Financial assets sold under repurchase agreements	188,581,709	5.98	70,064,869	2.24
Bonds issued	291,719,133	9.24	282,749,134	9.05
Other liabilities	133,316,348	4.22	153,754,357	4.92
Total	3,156,054,852	100.00	3,125,483,791	100.00

Financial Statement Analysis

Deposits

At the end of 2022, the Group reported a customer deposit balance of RMB2,169.898 billion, an increase of RMB75.125 billion or 3.59% compared with the beginning of the year, mainly attributable to an increase in demand deposits as a result of comprehensive financial advantages, strengthening of customer development, and expansion of core customers.

Deposits by business category

At the end of 2022, the Group reported a time deposit balance of RMB1,261.931 billion, an increase of RMB50.542 billion or 4.17% compared with the beginning of the year, mainly attributable to expanding the deposit volume, satisfying the needs of customers' wealth management, and rationally optimizing the deposit structure, resulting in a steady growth in the basic deposits of customers. The demand deposits balance amounted to RMB876.343 billion, an increase of RMB22.264 billion or 2.61% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits	1,611,801,805	74.28	1,629,498,050	77.79
Including: Demand deposits	726,086,464	33.46	733,837,440	35.03
Time deposits	885,715,341	40.82	895,660,610	42.76
Individual deposits	526,471,849	24.26	435,970,224	20.81
Including: Demand deposits	150,256,163	6.92	120,241,423	5.74
Time deposits	376,215,686	17.34	315,728,801	15.07
Other deposits	1,087,295	0.05	1,630,832	0.08
Accrued interest	30,537,508	1.41	27,674,099	1.32
Total	2,169,898,457	100.00	2,094,773,205	100.00

Deposits by remaining maturity

Unit: RMB'000

Remaining maturity	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand/spot	891,007,559	41.06	840,946,415	40.14
Within 3 months	1,037,890,740	47.83	727,208,613	34.72
3-12 months	71,658,223	3.30	267,793,736	12.78
1-5 years	169,044,326	7.79	252,117,131	12.04
Over 5 years	297,609	0.02	6,707,310	0.32
Total	2,169,898,457	100.00	2,094,773,205	100.00

Changes in Shareholders' Equity

Unit: RMB'000

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2021
Share capital	21,789,861	2,102,665	–	19,687,196
Other equity instruments	44,991,071	–	–	44,991,071
Capital reserve	53,315,958	16,265,872		37,050,086
Other comprehensive income	659,992	–	2,765,434	3,425,426
Surplus reserves	15,833,636	1,552,825	–	14,280,811
General risk reserve	40,659,845	2,560,199	–	38,099,646
Undistributed profits	84,599,017	15,542,037	7,909,539	76,966,519
Total shareholders' equity	261,849,380	38,023,598	10,674,973	234,500,755

Notes: the main reasons for changes in shareholders' equity:

1. The Group issued RMB ordinary shares in a targeted manner during the reporting period, and the share capital and capital reserve increased.
2. During the reporting period, the Group's net profit retained, payment for the perpetual bonds interests and payment of cash dividends, resulting in the undistributed dividend increased.
3. The Group allocated 10% of net profit of the year to its statutory surplus reserve.
4. The Group allocated 1.5% of the balance of the risk assets as of 31 December 2022 (before impairment allowance) to the general risk reserve.

Cash Flow Statement Analysis

At the end of 2022, the balance of cash and cash equivalents amounted to RMB179.054 billion, representing a decrease of RMB168.636 billion or 48.50% from the previous year.

The net cash outflow generated by operating activities reached RMB38.660 billion, representing a decrease of RMB130.347 billion from the end of the previous year, mainly due to the net decrease in deposits and deposits with interbank and other financial institutions during the year.

The net cash outflow generated by investment activities amounted to RMB135.197 billion, an increase of RMB117.819 billion from the end of the previous year, mainly due to the payment for investments during the year exceeds the cash recovered from investments.

Cash inflows generated by financing activities amounted to RMB4.321 billion, representing a decrease of RMB52.183 billion from the end of the previous year, due to the decrease in the amount of cash received from the issuance of bonds payable during the year.

Financial Statement Analysis

Segment Reporting

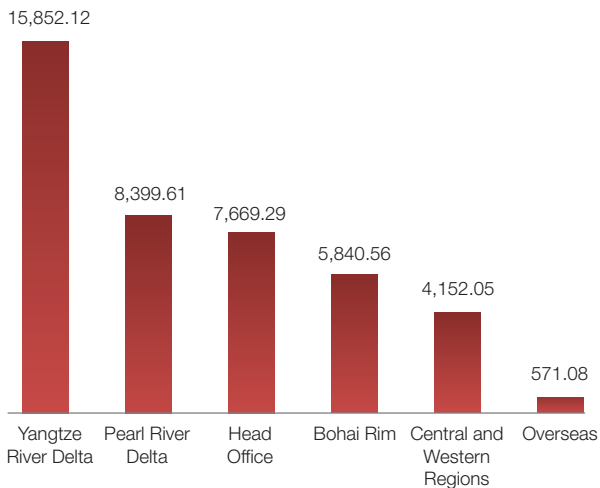
Segment Operating Results by Region

Unit: RMB'000

Region	Total assets	Operating income	Gross profit
Head Office	766,928,628	22,901,606	(3,667,707)
Yangtze River Delta	1,585,212,074	22,368,615	17,756,676
Pearl River Delta	839,960,714	13,399,444	1,634,630
Bohai Rim	584,055,771	7,259,118	461,887
Central and Western Regions	415,204,506	8,725,060	2,631,999
Overseas	57,107,727	500,115	271,818
Elimination among regions	(830,565,188)		
Total	3,417,904,232	75,153,958	19,089,303

Total assets by region

Unit: RMB100 million



Operating income by region



■ Head Office 30.47%
 ■ Pearl River Delta 17.83%
 ■ Bohai Rim 9.66%
 ■ Yangtze River Delta 29.76%
 ■ Central and Western Regions 11.61%
 ■ Overseas 0.67%

Segment Operating Results by Business Type

Unit: RMB'000

Business type	Total assets	Operating income	Gross profit
Corporate banking business	1,069,016,042	25,299,839	6,165,109
Retail banking and credit card business	904,471,291	39,741,634	5,078,060
Treasury operations business	1,444,416,899	10,112,485	7,846,134
Total	3,417,904,232	75,153,958	19,089,303

Total assets by business category



- Corporate banking business 31.28%
- Retail banking and credit card business 26.46%
- Treasury operations and other business 42.26%

Operating income by business category



- Corporate banking business 33.66%
- Retail banking and credit card business 52.88%
- Treasury operations and other business 13.46%

Financial Statement Analysis

Financial Position and Operating Results of the Group

Changes of Main Financial Indicators and Corresponding Reasons

Unit: RMB'000

Item	31 December 2022	31 December 2021	Increase/ decrease over the end of the previous year (%)	Brief reasons
Total assets	3,417,904,232	3,359,984,546	1.72	Growth in loans and interbank investments
Total liabilities	3,156,054,852	3,125,483,791	0.98	Growth in deposits and interbank liabilities
Shareholders' equity	261,849,380	234,500,755	11.66	Capital increase and net profit retention
Net profit	15,528,254	17,476,384	(11.15)	Reasonable increase in provisions

Information of the main items with changes over 30%

Unit: RMB'000

Major accounting items	31 December 2022	Increase/ decrease over the end of the previous year (%)	Brief reasons
Cash and deposits with the Central Bank	201,911,645	(39.06)	Improve efficiency in the use of funds and reduce the proportion of cash
Other debt investments	319,798,875	52.12	Timely investment in bonds during the period of rising interest rates
Financial assets sold under repurchase agreements	188,581,709	169.15	Maintain reasonable liquidity need at the end of the year

Other Financial Information

Major Off-balance Sheet Items

Unit: RMB'000

Item	31 December 2022	31 December 2021	31 December 2020
Loan commitments	33,222,080	32,754,125	19,849,038
Bank acceptances	329,512,744	355,920,934	346,144,738
Letters of guarantees	58,801,983	51,161,449	42,460,220
Letters of credit	67,319,844	54,855,657	49,772,430
Financial derivatives	2,129,373,838	2,446,778,985	3,224,624,720
Operating lease commitments	-	-	6,364,585
Capital commitments	5,889,542	4,835,374	3,211,040
Credit cards unused overdraft limit	850,341,459	807,857,673	700,836,850
Bonds redemption commitments	1,841,535	3,085,808	4,479,622

Note: Capital commitments only include capital commitments that have been contracted but not provided, and previous comparative data have been restated.

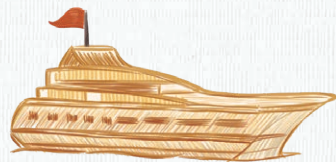
Change in Off-Balance Sheet Interest Receivable

Unit: RMB'000

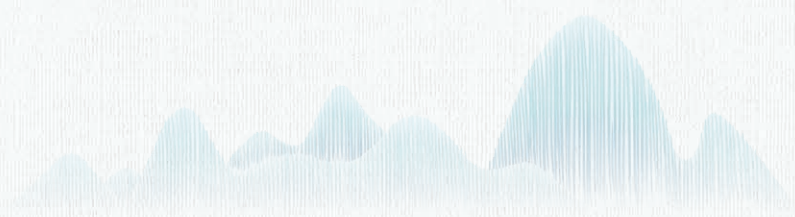
Item	Opening balance	Closing balance
Off-balance interest receivable	6,261,258	10,246,245



Living up
to our social responsibility
for serving the overall
interests, the Bank will
write a new chapter with
vigorous and determined
endeavor



Focusing on major national development strategies, the Bank proactively adapts itself to the overall national development. The Bank continuously improves the quality and efficiency of its efforts in supporting the real economy, and pushed forward and deepened coordinated regional development. The Bank adheres to the service concept of finance for the people, actively develops inclusive finance, expands green finance at an accelerating pace, and fully promotes rural revitalization to actively fulfill our social responsibility. In doing so, the Bank has opened up a new chapter for high-quality development with complete confidence. 🌸



Business Overview

Corporate Finance Business

The Bank's corporate finance has thoroughly implemented the decision and layout of the CPC Central Committee. Relying on the resources of China Life's insurance, investment and banking sectors, the Bank continued to serve regional major strategies and regional coordinated development strategies, actively supported the development of the real economy, strengthened the expansion of core deposits, consolidated the construction of corporate customer groups, adhered to innovation-driven business development, accelerated the digital transformation, and constantly promoted the balanced development of scale, quality, and profits.

Corporate Deposits and Loans Business

Focusing on the key regions, sectors, projects and customers ("three keys and one core" for short), the Bank strengthened marketing, promoted implementation, emphasized supporting services, increased credit loan releasing to key regions, key customers, and key projects so that corporate loans have grown stably. At the end of 2022, the balance of corporate loans (including discounted amount) was RMB1,147.180 billion, representing a 3.02% increase over the beginning of the year. Adhering to the decision and layout of the CPC Central Committee and the key national strategies, the Bank actively served the real economy, catered to the credit demand for the transformation and upgrading of the manufacturing industry, and marketed green finance, strategic emerging industries, high-end equipment manufacturing, national economy and people's livelihood and other key areas and major benchmark projects. The Bank has steadily optimized the loan structure and increased the amount of high-quality corporate loans.

The Bank gave full play to its comprehensive financial advantages, actively supported the real economy, took the promotion of medium and long-term loans in the manufacturing industry as a concrete action to practice the political, people-oriented and professional nature of finance, and expanded manufacturing enterprises that coincide with the national strategies and regulatory requirements. At the end of 2022, the balance of medium and long-term loans to the manufacturing industry increased by 20.48% from the beginning of the year. The Bank deeply studied the marketing strategies of the strategic emerging industries, focused on the financing needs of high-quality customers, made overall use of internal and external channels and customer resources, actively promoted the implementation of customized innovative products and business solutions, highly supporting the development of emerging industries.

At the end of 2022, the balance of loans to strategic emerging industries increased by 105.18% from the beginning of the year. The Bank improved the "dare to loan, willing to loan, able to loan" long-term mechanism, implemented the system of due diligence and exemption, and catered to the credit demand of private small and micro enterprises. At the end of 2022, the number of private enterprise credit customers increased by 2,876, or 23.83% from the beginning of the year. The customer base of private enterprises increased steadily, and the financing cost of private enterprises further decreased. The average financing cost decreased by 22BP from the beginning of the year.

The Bank took the support tools of carbon emission reduction as a starting point to increase investment in key areas such as clean energy, to promote the deep integration of green development concept and operation management, to establish and improve a long-term green finance mechanism, maintaining a good growth rate of green finance. At the end of 2022, the balance of green credit increased by 98.47% from the beginning of the year. During the reporting period, the Bank was awarded Exemplary Organization of Green Bank Evaluation by the China Banking Association, Annual ESG Financial Pioneer Award, Top-10 Green Financial Innovation Award and other honors.

The Bank fully implemented the guiding requirements of "building new advantages in the digital economy" in the Party's 14th Five-Year Plan, upgraded and formulated the *China Guangfa Bank's Work Plan for Supporting High-level Technology Self-reliance*, incorporated science and technology finance into the Bank's 14th Five-Year Plan, and provided various working mechanisms and resources. The Bank launched the exclusive brand of science and technology finance, intelligent financing for science and technology innovation, to provide comprehensive services throughout the life cycle for technology enterprises. The Bank stepped up its differentiated policy support for the science and technology credit, actively promoted the use of the People's Bank of China's science and technology innovation lending policy to expand credit supply to science and technology area. At the end of 2022, the loan balance of science and technology enterprises increased by 35.13% from the beginning of the year.

The Bank strengthened the integrated comprehensive marketing strategy of "customers+products+deposits", enhanced the expansion of core deposits of enterprises and promoted the high-quality development of corporate deposits through four major measures of "key customers, product-driven, asset linkage, and comprehensive finance".

The Bank accurately expanded its capacity through channels, cooperation and scenarios to consolidate the corporate deposit base. The Bank continued to strengthen the use of its flagship products, improved the comprehensive marketing capabilities of key products such as cash management, supply chain finance, bond underwriting, corporate capital custody, tapped the opportunities of comprehensive financial investment and financing projects in the whole financial chain, improved the settlement of customers' funds, and realized the continuous growth of core deposits and the continuous optimization of deposit structure. At the end of 2022, the balance of corporate deposits reached RMB1,611.802 billion, of which the corporate core deposits increased by 14.79% from the beginning of the year.

Cross-border Finance Business

The Bank actively served the new development pattern of "Dual Circulation", and effectively played the role of cross-border business in serving the real economy and facilitating trade and investment. With the advantage of the Bank's layout in the Greater Bay Area, the Bank supported domestic enterprises to make full use of "two markets and two resources" and further promoted the cross-border cooperation of domestic and overseas branches. During the reporting period, the Bank provided RMB41.5 billion of cross-border financing for domestic enterprises through Hong Kong and Macao branches. After filing with the regulatory authority, the Bank obtained the qualification of overseas loan business, further expanding the scope of cross-border financial services. By increasing support for new trade formats, the Bank actively promoted cross-border e-commerce, market procurement trade and other businesses. It has recently received the approval of the State Administration of Foreign Exchange on the qualification of cross-border e-commerce foreign currency funds collection and payment, and become one of the first pilot banks in the direct and indirect connection mode. It has launched the cross-border e-commerce collection and payment program "Guangshang Hui" and the cross-border e-commerce financing program "Guangshang Loan". The two programs have provided cross-border e-commerce enterprises with integrated financial services of settlement and financing, effectively solving the pain points of cross-border collection and payment and the high financing cost. The Bank actively served the strategic deployment of RMB internationalization, and continuously improved the services of RMB cross-border investment and financing, transaction settlement and other services. During the reporting period, the cross-border RMB settlement amount was RMB177.4 billion.

"Supply Chain+Bill" Business

To fulfill the task of ensuring the stability of the supply chain industry chain, the Bank strengthened the responsibility of financial enterprises directly managed by the central government, providing outstanding financial services for the industry chain, actively promoting the linkage innovation of corporate bills and supply chain financial services, and playing an active role in promoting the chain protection, stability and strengthening.

While maintaining the advantage of the "e-second" series of its flagship products, the Bank launched the new generation of electronic commercial bill product of the commercial paper exchange, supported innovations such as bill splitting and circulation, "change payment", and automatic prompt payment at maturity, and continued to launch convenient services such as special bill area for bill asset visualization and a WeChat bill widget for independent inquiry. During the reporting period, the Bank won many major honors such as excellent discount institution and excellent acceptance institution issued by Shanghai Commercial Paper Exchange.

Focusing on the national strategic layout, the Bank focused on high-end manufacturing, construction, medical and health and other key sectors, and interconnected with core enterprises, third-party supply chain platforms and government data platforms. The Bank actively participated in the construction of core enterprise industrial chains, and built new relationships with 6 well-known supply chain platforms/core enterprises during the reporting period, providing efficient and convenient financing channels for small and medium-sized enterprises in the upstream and downstream of the supply chains. The Bank formulated special plans for the industries, and launched a new automobile industry plan based on the early innovation model, upgrading the product – and scenario-based service capability. During the reporting period, the Bank's online business coverage of supply chain financing continued to increase. The total online financing customers increased by 35.36% year-on-year.

Cash Management Business

The Bank continued to implement the "Digital Guangfa" strategy, promoted the continuous development of cash management business about "building a user-friendly corporate electronic channel", "building a win-win financial ecosystem", "exploring digital operation capabilities" and other aspects, and adhered to the customer experience-centric principle to provide higher-quality digital financial services for the real economy.

Business Overview

Build a user-friendly corporate electronic channel. In this year, the Bank initiated the “corporate online banking customer journey improvement” project and launched a dedicated version of corporate online banking, in order to facilitate the access for the elderly, people with visual impairment and other special groups, providing more considerate and warm financial services. The Bank built the “1+N” industrial system application architecture of the cash management system to meet the personalized needs of the insurance industry, the bidding industry and the capital supervision scenarios. The function of corporate mobile banking has been more diversified, including 9 major functional modules, 66 product functions and 102 specific functions, covering most of the mainstream corporate services.

Build a win-win financial ecosystem. The Bank continued to explore the construction of financial scenarios in the era of the digital economy, adhered to the idea of scenario-based development of cash management, and realized the service-oriented output of three series of products, namely, smart, pool and insurance. Through the development of modularity, componentization and plug-in of products, the Bank has achieved rapid combination to meet the personalized needs of customers. The Bank has formed a comprehensive financial service program, such as corporate smart barcode collection service, bidding bond management service, flexible employment service, manufacturing dealers, and new citizen payroll service, and has continuously diversified its financial service capability under the premise of compliance and risk control, helping customers achieve digital transformation.

Explore digital operation capabilities. The construction of the “corporate financial products+” applet has achieved initial success. The Bank has launched new features such as branch area, video area, and instant discount area. As the background of the corporate business product library, these modules support the digital transformation of B2C businesses. With the digital business processes, the Bank realized intelligent risk control through the collaboration of internal and external systems and reduced manual operation processes. By utilizing the big data risk control platform, the Bank realized intelligent warning for high-risk businesses and customers, and improved its data risk control capability.

At the end of 2022, the Bank had 346,900 corporate electronic channel customers, an increase of 28,800 from the beginning of the year. The total number of transactions in the whole year was 60.07 million, with a transaction amount of RMB21.62 trillion, up 12.58% and 11.13% respectively year on year.

Inclusive Financial Business

The Bank has thoroughly implemented the decision and arrangement of the CPC Central Committee and the State Council on financial services for small and micro enterprises and support for rural revitalization, effectively embodied the political, people-oriented and professional nature of finance, and set up an inclusive financial development committee in the Board of Directors in charge of the inclusive financial business planning and institutional construction. The Bank has set up a leading group for inclusive finance at the senior management level in charge of the development and management of inclusive finance throughout the Bank. During the reporting period, the Bank optimized the internal structure of the Inclusive Finance Department, the primary department of the Head Office, integrated the functions related to corporate and retail inclusive finance business, and improved the construction of the inclusive financial system and mechanism of branches. The Bank has established the “dare to loan, willing to loan, able to loan, knowing how to loan” long-term mechanism of financial services for small and micro enterprises, continued to optimize the online risk control core of inclusive finance, steadily increased the scale of standard online product loans, and innovatively launched the financing guarantee online product “Guarantee E Loan” in addition to vigorously promoting products such as “Shuiyintong 2.0”, “High-tech Enterprise E-loan”, and “Guarantee E-loan”, to realize the full coverage of the inclusive financial credit, mortgage and guarantee online credit products. During the reporting period, “High-tech Enterprise E-loan” won the Digital Inclusive Financial Service Technology Innovation award from the China Institute of Communications. The Bank has promoted the financial services for rural revitalization, stepped up the promotion of a series of “rural revitalization loans” products, issued a service plan for rural contracted land management right and forest land use right mortgage loans for small and micro customers, formulated a marketing competition plan for inclusive agricultural loans, and improved the branches’ service capacity in the key regions of rural revitalization, such as areas below the county level, poverty-stricken regions, and national key counties of rural revitalization. The Bank expanded the embedded service scenarios and directly-connected enterprise projects of Jie Suan Tong corporate mobile payment service, continued to promote the application of Jie Suan Tong account keeper, increased the promotion of inclusive financial cards, gave full play to the efficiency of Jie Suan Tong cards in attracting customers and deposits, and improved the services of payment and settlement for small and micro enterprises.

At the end of 2022, the Bank's balance for inclusive small and micro enterprise loans was RMB159.193 billion, an increase of 17.20% from the beginning of the year, 16.76 percentage points higher than the growth rate of other loans, and the interest rate of loans newly issued in the entire year was 5.11%, down 126 BPs from the beginning of the year and the number of customers with loan balance reached 224,300, realizing the target of increased quantity and decreased price. The balance of agricultural loans was RMB147.562 billion, up 7.04% from the beginning of the year. The balance of inclusive agricultural loans was RMB19.625 billion, up 19.01% from the beginning of the year. The total number of Jie Suan Tong cards reached 303,100, increased by 29,700 from the beginning of the year, including 85,300 inclusive financial cards.

Investment Banking Business

The Bank actively responded to the call for "increasing the proportion of direct financing" proposed by the 20th CPC National Congress, continued to promote the transformation of light-asset, took bond underwriting as the flagship product, continuously strengthened the issuance capacity, increased the market share, powering the high-quality development of investment banking business. The amount of bond newly underwritten in the entire year reached RMB130 billion, with a year-on-year increase of 70.70%. The growth rate ranked first among the joint-stock commercial banks, and the market ranking rose by 9 places from 2021, recording highs of the new underwriting amount scale, market ranking and market share.

The Bank increased its support for key fields such as green finance, rural revitalization, entrepreneurship and innovation, and has launched a series of innovative businesses such as green accounts receivable debt financing, green debt financing, scientific innovation bills ultra-short financing, and rural revitalization bonds during the reporting period. The Bank has established and improved the financial advisory and direct financing system and has launched the main functions. The Bank has strengthened anti-money laundering technology empowerment, and realized anti-money laundering monitoring and risk rating access of related parties of business partners.

Corporate Customer Group

The Bank further optimized the hierarchical customer classification system, built a operation service system based on the dimensions of strategic customers, institutional customers, value customers, inclusive customers, and effective settlement customers, providing more professional service to customers. At the end of 2022, the Bank provided services to 418,800 corporate customers, an increase of 21,700 from the beginning of the year, of which institutional customers increased by 13.27% from the beginning of the year, value customers increased by 22.66%, and effective settlement customers increased by 19.38%. The Bank opened 62,600 new accounts in 2022, contributing RMB65.565 billion of average daily deposits and RMB1.487 billion of income.

Strategic Corporate Customers

The Bank enhanced the professional operation of strategic corporate customers and the maintenance of existing customers of the head office, further optimized the strategic corporate customer management system, and built the marketing management model of "head office strategic customers and branch strategic customers" and "value strategic customers and key strategic customers". The Bank has provided comprehensive financial service solutions for strategic corporate customers on a case-by-case basis through differentiated allocation of resources, innovation of industrial chain financial products, establishment of a linkage incentive mechanism, and optimization of business processes. The Bank has stepped up its efforts in key industries and improved its professional ability. For the real estate industry, the Bank established and improved the project communication mechanism, further promoted the new urbanization policy, and realized the organic combination of real estate promotion and risk prevention. For the auto industry, the Bank pushed forward the optimization of the smart credit system of the auto supply chain, increased the synergy of the auto consumption credit card installment business, and continued to deepen the customer's comprehensive value creation. For the energy industry, the Bank gave full play to the cooperation between the Bank and insurance companies and the advantages of investment banking to improve comprehensive income, further improved the quality and efficiency of services to key customers, and strengthened strategic business cooperation with industry leaders.

Business Overview

Institutional Corporate Customers

The Bank highlighted the construction of the institutional corporate customer base, deepened the cooperation with government, and obtained 56 new business qualifications of government institutions such as Guangdong Province's endowment insurance deposit in different places, Henan Province's social security card issuance, improving its ability to serve the society and people's livelihood. **The Bank carried out whole-process services for local bonds**, actively provided local bond issuance services for local governments and functional departments, effectively improved project quality and warehousing rate, and supported economic construction of local governments. A total of 37 branches have conducted the special bond issuance consulting and fund custody business. **The Bank enhanced its business development in the Greater Bay Area**, signed a strategic cooperation agreement with the Department of Agriculture and Rural Affairs of Guangdong Province, joined the Guangdong Association for the Promotion of Financial Support for Agriculture as a vice chairman, and became the only joint-stock bank that won the bid of the Guangdong Rural Revitalization Financing Risk Compensation Cooperative Bank. **The Bank launched a provincial bankruptcy management platform**, and launched the Yuansheng system, a provincial bankruptcy case management platform developed by the Bank with complete intellectual property rights. It used scientific and technological means to help the administrator perform its duties and to improve the efficiency of bankruptcy case handling. **The Bank has improved the level of technology empowerment** and innovatively launched a series of smart products, including digital law firms, digital education and training fund supervision, digital trade union, digital civil affairs, digital public welfare, smart women's federation, and smart alumni association. During the reporting period, the Digital Education & Training Fund Supervision Solution stood out from more than 200 practical cases, and became one of the 14 typical and advanced industry cases and the only financial institution case chosen by the blue paper of people.com.cn titled *Create New Entities Digitally*.

Value Corporate Customers

Adhering to the market-oriented and customer-centered principle, the Bank has actively served the major strategic development layout of the country, supported the

development of the real economy, focused on strategic emerging industries, advanced manufacturing, green and low-carbon industries, specialized and innovative industries and other key sectors, vigorously expanding the value corporate customer base and improving the core competitiveness of the corporate business. The Bank adhered to collaborative marketing, effectively integrated resources, and gave full play to the advantages of collaborative marketing by strengthening the coordination of insurance and banking, the coordination of sectors, the collaboration of head office and branches, and the collaboration of branches, thus providing a competitive package of comprehensive financial services, and helping value customers succeed and grow. The Bank insisted on strengthening product marketing, especially cash management, supply chain finance, investment banking, asset custody and other products, making full use of corporate products to improve comprehensive income and to increase the income contribution sustainability and stability.

Effective Corporate Settlement Customers

The Bank continued to strengthen channel development and construction, vigorously stepped up the construction of customer acquisition channels in different scenarios, built four channels of customer acquisition scenarios, including live broadcast platform, exhibition platform, collaboration platform, and open platform, and built important customer acquisition channels, such as the Yangtze River Delta G60 Science and Innovation Corridor, Guangdong Manufacturing Association, Guangdong Innovation and Entrepreneurship Competition, Kwai live broadcast platform, and Canton Fair. During the reporting period, the Bank has built a total of 47 customer channels, bringing 2,199 new customers and contributing RMB23.84 billion to the average daily deposit. The Bank emphasized the business concept of "creating value for customers", innovatively established the corporate customer credit system, and enhanced customer transaction activity and customer value through online marketing activities such as transaction promotion and tariff reduction. The Bank strengthened the financial technology to empower the real economy, launched the digital financial and tax service system, optimized the digital HR service program, provided comprehensive solutions for the digital transformation of small and medium-sized enterprises, and strengthened the construction of customer acquisition capacity of digital products.



Corporate Finance Business Topics

Focusing on national strategic priorities and improving the real economy service capability

The Bank actively implemented the decision and deployment of the CPC Central Committee, served the national strategic regions and facilitated the high-quality development of the real economy.

The Bank strengthened the organizational research and implemented national major regional strategies.

The Bank has established a joint meeting mechanism and regularly organized national major region theme working meetings. During the reporting period, the Bank formulated the *Three-Year Action Plan of Guangdong-Hong Kong-Macao Greater Bay Area Comprehensive Financial Service (2022-2025) of China Guangfa Bank*, and to promote the research on the *Guangdong-Hong Kong-Macao Greater Bay Area Business Revitalization Implementation Plan of China Guangfa Bank*, strengthened the top-level design, promoted the optimization of institutional mechanisms, strengthened resource protection, optimized products and services, and supported the construction of major national regions such as the Greater Bay Area, Beijing-Tianjin-Hebei, Yangtze River Delta integration and the Yangtze River Economic Belt.

The Bank focused on key areas and facilitated the high-quality development of the real economy.

The Bank facilitated the development of the real economy and increased credit support for manufacturing, green finance, strategic emerging industries, science and technology enterprises and other fields. During the reporting period, in addition to the implementation of the work of the National Development and Reform Commission, the People's Bank of China, the Banking and Insurance Regulatory Commission and other ministries and commissions to increase the medium and long-term special loans for equipment upgrading and transformation of the manufacturing industry, the Bank continued to fulfill the requirements of the report of the 20th CPC National Congress about developing economy relying on the real economy, promoting the new industrialization, implementing the industrial base reconstruction projects and major technical equipment research projects, and promoting the high-end, intelligent and green development of the manufacturing industry.

The Bank improved service quality and efficiency to support the construction of national key projects.

The Bank played an active role in the construction of major national and provincial projects, strengthened the reserve and marketing expansion of key customers and major projects in strategic regions, collaboratively marketed key fields such as green finance, strategic emerging industries, "Two New and One Major" industries and the national economy and people's livelihood, and improved the service capability in key sectors of the national economy and people's livelihood. During the reporting period, the Bank developed and supported a number of key projects such as Guangdong Power Grid, TCL and Guangzhou Metro.

Serving new forms of trades and driving the high-quality development of the real economy

As an important new business form of foreign trade, cross-border e-commerce has benefited from the dual stimulation of policy and technology in recent years, becoming a new engine of foreign trade and an important economic growth point. The Bank took supporting the development of cross-border e-commerce as the key task of implementing "stabilizing foreign trade" and serving "dual circulation", continuously upgrading cross-border financial services, and launching cross-border e-commerce exclusive settlement and financing products "Guangshang Hui" and "Guangshang Loan" to meet the demand of cross-border e-commerce customers for one-stop financial services.

The Bank provided outstanding services to help improve the business environment.

The Bank obtained the cross-border e-commerce foreign exchange fund collection and payment business qualification, and became one of the first pilot banks in the direct and indirect mode. The Bank launched "Guangshang Hui", a cross-border e-commerce exclusive collection and payment integration program, and actively promoted it in the Greater Bay Area. "Guangshang Hui" provides cross-border e-commerce merchants with outstanding services, which meets the needs of the unified management on multiple platforms and stores. The collected funds can be used to directly pay overseas fees, fully realizing the integration of collection and payment. It has no time limit for withdrawal and settlement of foreign exchange and supports instant/forward settlement, which is more efficient and convenient, and improves the business environment. The cross-border e-commerce collection business has been launched in Foshan, Ningbo, Shenzhen, Guangzhou, Dongguan, Jiangmen and other branches. Foshan Branch became the first local bank to provide the cross-border e-commerce collection and payment service.

The Bank provided extraordinary products to help enterprises develop their business.

Based on the operation data of cross-border e-commerce stores, the Bank launched "Guangshang Loan", the cross-border e-commerce financing loan program, to provide one-stop online services including credit application, withdrawal, repayment and so on for small and medium-sized cross-border e-commerce enterprises. It effectively solved the problem that cross-border e-commerce enterprises could not obtain bank loans through the traditional mode because of light assets.

The Bank will continue to diversify the cross-border e-commerce comprehensive service program, innovate and launch the cross-border e-commerce collection and payment, improve the cross-border e-commerce comprehensive service program, implement the "six stability" and "six guarantees" requirements, driving the high-quality development of the real economy.

Business Overview

Retail Finance Business

Focusing on the strategic positioning of “highlighting retail”, the Bank further promoted the transformation of the retail business, improving the digitalization, systematization and comprehensive service capabilities, and empowering the business value chain of business operation, process experience, risk monitoring, management decision-making and so on, so as to improve product service and operation efficiency and realize the innovation and transformation of the retail business model. With the customer-centric philosophy, the Bank deepened the integration of internal and external resources, built a financial and non-financial product service supply system centered on customer demand, and strengthened the featured services in key business areas such as payment and settlement, wealth management, and consumption finance. The Bank improved the differentiated management system of customer classification to drive customer growth, improve customer value, and upgrade the online and offline omni-channel collaborative services.

Wealth Management Business

The Bank realized the wealth management value with the principle of seeking progress while maintaining stability, practiced the development concept of “people first”, constantly improved the product and service system and the ability to provide intelligent, long-term and excellent services, and comprehensively upgraded digital marketing and integrated services. **The Bank increased its support for pension finance**, launching the personal pension business and establishing a pension financial product system covering personal savings, commercial pension insurance and public funds. **The Bank actively made breakthroughs in key products**, upgraded and launched “Guangfa Smart Investment 3.0”, introduced cooperative institutions to carry out fund investment advisory business. The fund sales exceeded RMB10 billion during the reporting period. The Bank innovatively launched “GF Happy Investment” one-click portfolio investment service. The private placement fund and asset management amount exceeded RMB16 billion. The insurance fund trust became an important driving force for the growth of the premium amount. **The Bank deepened the business collaboration**, created the collaboration and transformation mechanism of “credit card + wealth management customers”, and actively promoted the “blue ocean action” project. The Bank upgraded the “corporate business • private banking customers” linkage 2.0. More than 5,000 customers participated in the Gathering Wealth Club during the reporting period. **Technology empowers business development**. The Bank consolidated the data capacity, developed customer forecasting models, customer

precision service models, and provided differentiated wealth management services based on the requirements of the entire customer life cycle. The Bank innovatively launched the “Smart Asset Allocation Service” brand to provide customers with efficient and professional asset allocation services.

At the end of 2022, the Bank’s personal deposit balance reached RMB526.472 billion, an increase of 20.76% from the beginning of the year. During the reporting period, the Bank won the honors of Excellent Customer Service Bank and Excellent Wealth Management Bank in the selection of “Research Cases of Financial Competitiveness in the 21st Century” and “Golden Lion of Financial Industry in the Greater Bay Area”.

Retail Credit Business

The Bank implemented the decisions and arrangements of the CPC Central Committee to serve the real economy and inclusive finance, and effectively improved the financial service and management. **The Bank increased financial support in key fields**, facilitating the steady and healthy development of the real estate market, increasing the issue of housing mortgage loans, implementing differentiated housing credit policies based on urban policies, and promoting the “housing delivery guarantee” work. **The Bank endeavored to promote inclusive finance**, building “Secured Small Business Loan” to become a flagship product for small and micro enterprises, establishing a product system of “standard product+channel customer group project” with “E-Second Loans 2.0”, continuing the “Work Resumption Loan” policy and interest rate reduction, launching the “Rural E-loan” and the inclusive agricultural loan branch project, and focusing on key areas such as small and micro enterprises finance, green credit and rural revitalization. **The Bank accelerated consumption expansion and quality improvement**, actively responding to and giving priority to the demand for new citizen loans, and realizing the rapid growth of self-operated credit consumer loans via the new business model of Internet+ by focusing on the comprehensive marketing ability and customer services of E-Second Loans and Wonderful Loans. **The Bank strengthened the deep integration of technology and business**, improving the digital operation capability, and stepping up the contribution of the retail credit customer group by building five scenarios of customer operation system. **The Bank diversified the customer financial service scenarios**, optimizing the credit policies of “Xinxiang Loan”, “Xindi Loan”, “Annuity Loan” and other insurance and banking cooperative products, strengthening the collaborative mechanism, and promoting integrated comprehensive financial services with the customer-centric principle.

At the end of 2022, the balance of personal loans (excluding credit cards) of the Bank reached RMB463.139 billion, an increase of 2.78% from the beginning of the year, of which self-operated credit business loans, self-operated credit operation loans and self-operated mortgage business loans increased by 41.62%, 14.97% and 12.86% respectively.

Credit Card Business

The Bank's credit card business actively responded to the decisions and arrangements of the CPC Central Committee and continued to promote consumer services and serve the real economy. The Bank elevated its product and service innovation capacity and implemented a variety of measures to promote consumption and expand domestic demand, strengthening the endogenous power of the new development pattern. Adhering to the proactive and predictive nature of risk management, the Bank firmly defended the bottom line of financial security and prevented and defused financial risks, accelerating high-quality development. The Bank increased the business momentum through refined operation, improved customer experience and achieved sustained, stable and high-quality business development.

The Bank took precise measures to deepen the construction of key customer groups and expand consumption scenarios. The Bank developed exclusive products around customer behavior based on potential customer portraits, comprehensively developed online and offline consumption scenarios, and expanded differentiated competitive advantages. The Bank gained a keen insight into customer needs and re-designed cards, upgrading "Owner Series Card" and "True Love Card" oriented for the 80s generation, innovatively launching "Youyu Card" and "using Guangfa card for your weekend trip" series products oriented for the young customer group, optimizing the "Dingji Card" and "Airline Card" oriented for high-end customers. And the first launched "American Express Rose Golden Card" in China stood out within the competition of similar products in the market. The Bank designed ecological scenarios and closely followed ecological hotspots to build a business moat. Based on the changes in customer behaviour, the Bank diversified customer acquisition channels and card use environment, and carried out online and offline arrangements around "Customers, Cars, and Life". The payment scenarios were integrated into the rights and benefits of card products. The Bank has built a dual-core ecosystem of life scenarios and payment scenarios to promote convenient and flexible use and to improve customer activity.

Promote the business strategy of "one customer, one policy" to increase the precision of inclusive finance.

The Bank continued to elevate the convenience of the online credit card services, adding new connotation to the practice of "serving the people practically". The Discover Wonders app, as the core platform, covers multiple consumption scenarios, enabling customers to complete account management such as consumption, account checking, repayment, installment, and quota adjustment with one click. In order to meet the increasingly diversified interactive shopping experience needs of consumers, the Bank has built a one-stop financial and consumer ecosystem with the help of flexible market activities such as "Super Guangfa Day" and "Super Swiping", bringing true benefits to customers. The Bank applied financial technologies to provide intelligent layered services for different customer groups based on the value system, preference attributes, physical indicators and other dimensions, realizing customized and ultimate experience for each customer, and making inclusive finance more accurate.

Adhere to stimulating new momentum of high-quality development with digital transformation.

Focusing on serving customers and solving the actual needs of business, the Bank has completed the last mile of technology application and successfully improved the efficiency of technological innovation. The Bank has built a credit card technology system based on the digital transformation to realize technology empowerment, which effectively guarantees the rapid realization of issuance of 100 million credit cards, supports the "Double 11", "Limited Sales" and other activities, and facilitates the rapid development of various new products and new businesses. Based on the Bank's 14th Five-Year Plan, the Bank focused on upgrading from traditional cores to distributed cores, building a new generation of credit card business application system, reconstructing the core service sharing ability and digital service ability from the bottom, and driving the global digital upgrade. The Bank continued to build a comprehensive data center capability and a data fusion, common and shared capability system, and introduced emerging technologies such as AI, big data, cloud computing, and continued to integrate with financial business.

Business Overview

Build the risk defense line and effectively ensure the asset quality. The Bank adhered to the management idea of defending the bottom line of risk control to empower high-quality development, kept proactive at all times, focused on risk management, made proactive plans, implemented precise policies, adhered to the orientation of high-quality customer groups, optimized the combination structure of regions, industries, customer groups, and so on, and rapidly and carefully improved risk management strategies. The Bank continued to upgrade its dynamic risk warning and control system to improve customer awareness accuracy and control efficiency. The Bank accurately allocated the resources, expanded the application of robot-based automatic collection, improved the collection efficiency, and disposed of non-performing assets by diversified means. The Bank promoted the technological empowerment of risk control, deepened the digital risk management system, comprehensively used voiceprint technology, text mining, intelligent voice and so on to improve the timeliness and effectiveness of risk forecast and management, consolidating the risk resistance and balancing risks and profitability.

As of the end of 2022, the Bank issued 109 million credit cards and achieved consumption of RMB2.49 trillion in 2022. Core indicators such as the number of newly issued cards, return on assets, and non-performing loan ratio continued to maintain a leading edge in the industry. Moreover, customer base building, loan balance, and operating income remained stable, and high-quality development measures achieved success. During the reporting period, the credit card business won the Top-10 Credit Card Financial Innovation Award, Excellent Credit Card of the Year, Golden Credit Card Tianji Award of the Year, Navigator of Digital Transformation of Financial Institutions, Best Customer Center Award in China and 2022 China Service Top-100 Brands, 2022 National Service Innovation Project Demonstration Technology Achievement Award, 2022 Human Resource Management Outstanding Award, 2022 UnionPay Card Promotion Outstanding Contribution Award, Annual Public Welfare Communication Case Award, China Financial Annual Excellent Social Responsibility Project Award, Excellent Legal/Compliance Team, 2022 China's Best Comprehensive Risk Technology Implementation, Excellent Quality Star, Outstanding Green Product Award, Plum Blossom Innovation Award and many other honors.

Internet Financial Business

The Bank released Mobile Banking 8.0 and Cloud Store 3.0. Firstly, the Bank has continued to upgrade mobile banking, cloud store and other online customer acquisition channels, launched the “smart brain” project of retail banking, built the bank-wide smart operation and management center, and provided the focal point and support for the online and digital transformation of business in the ensure life cycle of customers. Secondly, the Bank stepped up the promotion of non-contact financial services, launched customer-centric online user operation, and actively constructed the “operating online” the channel operation with mobile banking as the core and “management online” the traditional operation with Cloud Store/enterprise WeChat as the core, promoting high-quality digital transformation of retail business.

The Bank actively implemented major national policies and policies, participated in the construction of the third pillar of the pension system, and set up a personal pension financial zone in Mobile Banking; gave full play to the advantages of the Greater Bay Area, deepened the online cross-border financial business, and launched the cross-border financial zone of Mobile Banking. Underpinned by the smart brain of retail banking, Mobile Banking 8.0 upgrades its wealth management services. Jointly with third-party professional institutions, the Bank newly launched “Fortune”, an open ecological platform, to provide customers with practical content such as product analysis, financial information, investor education, creating a new model of wealth management services. The Bank upgraded the “GF Smart Investment” service, launched a number of investment tools such as “GF Happy Investment” and “Smart Money”, optimized the list of hot selling products of wealth management, funds and deposits, and provided customers with a package of user-friendly investment and financial solutions, improving the customer experience and promoting the growth of user value.

During the reporting period, the Bank's Mobile Banking won multiple honors. In the *2022 China Digital Finance Survey Report* released by CFCA, Mobile Banking ranked first among joint-stock banks in terms of the comprehensive evaluation score, and won the Best Personal Mobile Banking Award in the 2022 China Digital Finance Gold Award, and the Outstanding Digital Technology Innovation Award in the 2022 annual event of Golden Intelligence Award.

Retail Customer Group

Adhering to the customer-centric principle, the Bank continued to improve the retail customer group development and operation system, and enhanced the quality and efficiency of all-channel, borderless, multi-product, one-stop, and 24-hour customer service. At the end of 2022, the Bank's customer assets under management reached RMB790.386 billion, an increase of 8.10% from the beginning of the year.

Improve the multi-customer and multi-product matrix and improve the service supply capacity. The Bank focused on consumer needs such as clothing, food, housing and traffic and core financial service needs, strengthened the integration of internal resources, actively cooperated with industry leaders, strategic customers and third-party platforms, and continued to deepen the ecological construction of online and offline scenarios such as agency issuance, dual cards, social security and digital projects. Focusing on customers, the Bank has constantly

diversified its product lineup, and launched "Smart Money", "Social Security Assistant", "Repayment Bao", pension, new citizen service plan, "Guangfa Smart Investment", "Guangfa Happy Investment", CBA debit card and other characteristic product services.

Strengthen the full-cycle and full-channel operation to improve the value creation ability. To meet the differentiated needs of customers, the Bank built a refined and intelligent management system, and improved the differentiated management strategy for each customer. The bank launched the "Guangfa Wonderful Gathering" member growth system, and continued to enrich the interests and services in high-frequency settlement life scenes. The bank continuously improved the reach to customers, product delivery and direct services. The Bank focused on strengthening the online service capability, promoted the transformation and operation of private domain traffic such as mobile banking, enterprise WeChat, and mini-programs, promoted the transformation of offline outlets, and improved the collaborative service capability of online and offline channels through data exchange, channel interconnection, process reengineering, and tool upgrading.

Business Overview



Retail Financial Business Topics

Digital transformation to empower retail business innovation and development

The Bank, adhered to the customer-centric principle, accelerated the digital transformation of the retail business and strengthened technology empowerment. At the same time, it actively promoted business model innovation, and comprehensively improved retail business management, service and marketing capabilities.

Improve management capability. In the field of management, the Bank benchmarked industry leaders, built a unified workbench for customer managers, upgraded the management cockpit, covered multi-dimensional topics such as customer groups and products, provided intelligent monitoring, prediction, reminder and early warning features, and used digital tools to achieve efficient standardized operation and refined process management at the front line of business, improving the headquarters' operation and management ability and efficiency. In the field of risk control, a new generation of intelligent risk control decision-making engine for retail credit was built based on the big data platform. The Bank realized intelligent risk decision-making, intelligent lending, intelligent early warning, and intelligent collection to improve its risk control capability. In the field of team building, the Bank liberated productivity by machines, freed employees from repetitive and inefficient labor work, and released employees to create greater value. The Bank integrated business experience strategy and AI technologies, and strengthened standardized and intensive management.

Improve the service capability. The Bank reshaped the ultimate end-to-end experience, and designed the continuous experience of the whole customer groups, products, channels, processes and the contact from the perspective of customer optimization, improving the supply side with the reform of the demand side. The Bank focused on reshaping the customer experience of private banking, wealth management, wage payment, mortgage, credit card, consumer loan and so on, and drove the integrated transformation of front, middle and back office. Based on the customer life cycle, the Bank

realized the seamless connection of customer business strategies in all channels and realized the integrated service operation online and offline. To realize platform empowerment and ecological integration, the Bank has built an open banking platform to further leverage the advantages of China Life's big endowment, big health, big wealth and other ecosystems to promote the deep integration of financial and non-financial scenarios and expand the flow entrance. In order to improve the private operation capability in online scenarios, the Bank diversified financial and non-financial service scenarios such as market information, product science popularization, customer activities, education, coupons and so on by taking advantage of partners' external resources.

Improve channel efficiency. The Bank improved the borderless omni-channel service capability and accelerated the upgrading of the matrix service model with the core of "head office+remote online services+offline customer managers" as the core. Focusing on the characteristics and demands of different customer groups, the Bank developed an app client with differentiated experience to realize personalized product recommendation and services. Through AI response, AI outbound call, remote customer service, enterprise WeChat+Cloud Store, offline outlets and other ways, the Bank captured customers' online browsing and clicking in real time, perceiving customer demand changes. In order to strengthen real-time, echelon and personalized omni-channel collaboration, the Bank built a digital customer contact service network for online and offline collaboration, upgraded the app, Cloud Store, enterprise WeChat, remote service, smart store and other channels, improved online and offline omni-channel financial services, actively created the WeChat scene ecology, attracted more than one million enterprise WeChat customers, and deepened the operation of "dot-circle-group" based on the WeChat scenes.

Leveraging the potential of domestic demand, Guangfa credit cards boost and upgrade consumption

The Bank's credit card business has resolutely implemented the strategy of the CPC Central Committee to expand domestic demand, adhered to the original intention and mission of serving the real economy, actively played the role of promoting consumer payment and consumer credit, fully supported the recovery of consumption, demonstrated the inclusive and people-oriented nature of financial services, and earnestly fulfilled social responsibilities.

Adhere to finance for the people and promote the recovery of consumption. The Bank has thoroughly implemented the decision and arrangements of the Party Central Committee and the State Council, increased financial support, focused on serving the people's livelihood, promoted the precise implementation of fee reduction policies, and effectively helped enterprises to relieve their difficulties and strengthen their confidence. The Bank cooperated with UnionPay to carry out the promotional activities of consumer coupons to promote consumption and stabilize people's livelihood, and fully supported the distribution of consumer coupons issued by local governments and commercial bureaus to release consumption potential in all directions and to promote consumption recovery through multiple welfare activities.

Facilitate industrial development and practice green finance. The Bank promoted the development of the new energy car industry through green financial service innovation, promoting low-carbon travel. The Bank launched the UnionPay low-carbon credit card, and catered to consumers' demand for new energy cars by upgrading the phased incentives for new energy car purchase. The Bank vigorously built the Guangfa auto finance ecology, continuously upgraded the owner service platform of the Discover Wonders app, provided convenience and benefits for consumers to purchase cars, and promoted the development of new energy car consumption.

Implement the national strategy and upgrade the quality of services.

Grasping the opportunity of building the core of the Greater Bay Area into an international consumption city, the Bank's credit card business actively played its advantages in the Greater Bay Area, focused on inclusive finance, upgraded the rights and benefits of the series of credit cards in the Greater Bay Area, and continued to introduce new financial resources for the construction of the Greater Bay Area. The Bank actively arranged the cash back benefits of the consumption scenes in the Greater Bay Area, promoted the consumption linkage in the Greater Bay Area, further enhanced the consumption enthusiasm of the residents in the Greater Bay Area, and was committed to empowering the construction of the Greater Bay Area through investment, consumption, and talent exchange.

Reshape the consumption layout and release consumption momentum.

The Bank implemented the new development concept and continued to innovate products, scenarios and services. Focusing on life scenarios, the Bank launched the "Guangfa Life Help" zone to provide customers with one-stop life consumption preferences such as water, electricity and gas payment, telephone recharge, fresh food and beverage, take-out, film and entertainment consumption. The Bank gained in-depth insight into customers' needs, closely followed consumption trends and seasonal hot spots, innovatively launched theme marketing activities such as camping season, travel season and school opening season, refreshed and upgraded the brand activities of "Guangfa Day", created a carnival atmosphere, met customers' diversified consumption needs, boosting the recovery of full-scene consumption.

Business Overview

Financial Market Business

The Bank focused on the strategic positioning of optimizing the financial market. Guided by high-quality development, the Bank resolutely implemented the national strategy, actively served the real economy, and deepened financial cooperation in various fields. The capital operation center was officially licensed, further enhancing the Bank's market influence, giving full play to the group's synergy advantages to expand the custody scale, promoting the structural deposit subject and structural innovation, effectively consolidating the compliance foundation, continuously improving profitability, and continuing to improve the financial market business.

Financial Institution Business

The Bank continued to expand the breadth and depth of inter-bank cooperation in various fields, continuously improved the inter-bank customer credit management and inter-bank counterparty access management mechanism, and promoted the steady development of inter-bank asset and liability businesses. The Bank adhered to the technology leading and digital transformation strategy, strengthened the management of inter-bank customer data, and consolidated the foundation of business development. The Bank actively supported the RMB internationalization strategy, innovatively launched the CIPS HKD clearing service, launched the CIPS account centralized visualization service for the first time in the industry, and provided the Guangfa scheme for the construction of the treasury system of central enterprise customers.

At the end of 2022, the Bank's financial institution customers have covered banks, financial subsidiaries, insurance, securities, trusts, funds, financial leasing, finance companies, auto finance companies, consumer finance companies and other types of financial institutions. The Bank has established SWIFT authentication relationship with more than 1,000 financial institutions in 96 countries and regions around the world. The total number of CIPS inter-participated customers of the Bank ranked 10th among the 77 direct participating banks in the world, and the Bank won many honors such as Advanced Participant in the Development of RMB Cross-border Payment and Clearing Market.

Financial Market Business

With the strong support of the regulatory authorities, the Bank completed the opening of the Capital Operation Center during the reporting period, actively participated in the financial market with a new image, promoting the high-quality development of business.

In terms of market making and proprietary trading, the Bank is a primary dealer in the open market, a Shibor quotation bank, a member of the underwriting group of treasury bonds and policy financial debts, and a market maker of RMB exchange rate, bonds, derivatives, notes and precious metals. The Bank fulfilled its obligations as a market maker, closely followed the market, and continued to make market quotations for RMB and foreign exchange currency pairs, bonds and derivatives, providing convenience for bank customers and domestic and foreign counterparties.

In terms of customer transaction services, the Bank had a wealth of customer financial products and services, including exchange rate, interest rate, precious metals, bond underwriting and distribution, and actively implemented major national strategies to serve the real economy. The Bank supported the underwriting and distribution of local government bonds, credit bond investment, and enterprise foreign exchange trading services in the Greater Bay Area, Beijing-Tianjin-Hebei, the Yangtze River Economic Belt, "the Belt and Road" and other national key development regions, developed green investment, facilitated opening-up, actively served the real economy, expanded enterprise financing channels, and boosted regional economic development.

In terms of wealth services, the Bank continued to strengthen the structural deposit targets and structural innovations. During the reporting period, the Bank innovatively issued a stepped autocallable structure, covering mainstream markets such as stocks, commodities, and exchange rate targets. Besides, the Bank issued products related to national key strategies such as carbon-neutral ETF, new-energy vehicle ETF, photovoltaic ETF, chip ETF, and 5GETF, providing investors with diversified wealth management tools while supporting the development of key areas such as the green environmental protection industry.

In terms of technology empowerment, the Bank continued to optimize the transaction portfolio management and front-and-back direct connection processing system, built the market making quotation intelligent engine and the direct connection communication application of the trading platform, realized the risk control upgrade of the transaction levels prior to and during events, established the global multi-market multi-asset investment and research system, and optimized the Bank customer self-service trading and counter trading channel facilities.

During the reporting period, the Bank won the honors of Excellent Financial Member (Third Prize) of Gold Exchange, Best Business Innovation Contribution Institution, Best Inquiry Trading Institution, Best Underwriter, Best Foreign Currency Lending Member in Inter-bank Foreign Currency Market, Excellent Market Institution of Shanghai Commercial Paper Exchange, and Top Investment Houses in Asian G3 Bonds for 2022 of The Asset.

Asset Custody Business

The Bank fully implemented the strategy of “Party building guidance, cooperation, service improvement, exploration and innovation”, constantly expanded services, improved the quality and efficiency of operation, and continued to maintain high-quality development of the asset custody business.

The Bank adhered to serving the real economy, implemented a number of major trust projects for the transformation and upgrading of the manufacturing industry, promoted the green and low-carbon transformation, and supported the development of small and medium-sized enterprises. **The Bank continued to deepen the cooperation between insurance companies and the Bank**, and achieved full coverage of cooperation among member units of China Life, and became one of the first cooperative banks providing commercial pension product custody in China. **The Bank focused on diversified business innovation**, developed the cross-border custody business continuously, and became the first

banks to implement the GDR depositary receipt project of the Swiss Exchange in China. The Bank strengthened the layout of public offering products, and took measures to promote the growth of the custody, the amount of which in public offering funds raised by 21.56%, ranking No.1 in the industry in terms of the growth rate. **The Bank continued to obtain business development qualifications**. It became one of the first designated futures depositary banks of Guangzhou Futures Exchange, expanding the scope of the custody business. **The Bank used technology to empower businesses**. It built a “one body, two wings, three combinations and four supports” system for the custody business, established a digital management system, launched a monitoring platform for custody business efficiency, stepping up digital business transformation. At the end of 2022, the Bank’s asset custody and outsourcing business amount reached RMB3.77 trillion, and the annual commission income from the custody business totaled RMB567 million.

Wealth Management Business

The Bank has established an investment research system focusing on fixed income investment and multi-asset allocation, created a product matrix of “five series and more than 15 sub-categories” based on the characteristics of risk and income, and established a multi-asset, multi-strategy, 24-hour net worth product system, realizing the leap from a low-risk financial management expert to a professional all-asset management brand. The Bank has created a safe, professional and efficient information technology ecosystem, improved its differentiated financial technologies, and achieved sustained and positive growth in the amount of wealth management business and the number of wealth management customers. The corporate net value transformation task has been completed in advance, and the product net value transformation outpaced the average level of the industry. At the end of 2022, the average daily amount of wealth products reached RMB199.6 billion. For the business development of CGB Wealth Management Co., Ltd., please refer to “Business Overview – Main Holding Subsidiaries”.

Business Overview



Financial Market Topics

Vigorously promote CIPS to facilitate RMB internationalization

The Bank actively implemented the major decisions and arrangements of the CPC Central Committee, vigorously promoted CIPS with the advantages of shareholders, location and financial technology, continued to conduct product innovation, and promoted the cross-border use of RMB, serving the real economy and the strategy of RMB internationalization.

Product innovation continued. The Bank pioneered the centralized CIPS account visibility service to help the central enterprise groups realize the full visibility and unified management of its subsidiaries' bank accounts in one system and with one standard, and solved the problems of complicated systems, multiple standards, long time consuming and high costs in the construction of the systems. The Bank's first pilot CIPS payment inquiry service was launched, and it was the first overseas branch to realize the direct connection of CIPS payment inquiry between two initial launches. Banks, enterprises and other participants can easily track all aspects of the payment process all the time. The Bank passed the acceptance of the Cross-Border Interbank Payment System with full marks and launched the CIPS Hong Kong dollar clearing service. At the end of 2022, the Bank ranked tenth among the 77 direct participating banks in the world in terms of the total number of CIPS customers, and the total transaction amount increased by 162.64% year on year.

The Bank received multiple industry awards. During the reporting period, the Bank won two awards, Advanced Participant in the Development of RMB Cross-border Payment and Clearing Market and Advanced Participant in the Contribution of Standard Transceivers, issued by Cross-Border Interbank Payment System, and was awarded the title of Standard Transceiver/CISD Business Leader for many consecutive months. Its influence and customer service efficiency in the field of cross-border payment and clearing have been continuously improved.

Continue to deepen the synergy mechanism to promote the development of the custody business

The Bank continued to deepen the synergy mechanism, made full use of the custody business as a bridge in the financial field, and fully improved its work efficiency. Specifically, the Bank strengthened the information communication and resource integration between the custody business and the members of China Life, took multiple measures to drive the custody cooperation, and deepened the cooperation with insurance companies, comprehensively promoting the high-quality development of the custody business.

Deepen the synergy mechanism and improve the service capacity. The Bank concentrated its efforts on expanding the cooperation with insurance companies, made a major breakthrough in the cooperation of the asset custody business, and achieved full coverage of the custody cooperation with China Life's members. The Bank seized the policy opportunity, marketed the custody business for the first batch of commercial pension products, fully coordinated China Life's resources in the marketing process, and won the cooperation opportunity of the pilot commercial pension custody business. The Bank proactively responded to the operational needs of China Life's members and continuously improved the custody services through value-added services, effectively improving customer service capabilities through specialized value-added services such as comprehensive custody services, public opinion monitoring, and post investment management, and obtaining high recognition from customers.

Enhance technological empowerment and improve the management capability. In the face of the change of external environment, the Bank continued to improve the efficiency of automated processing of business systems, achieved stable operation of the bank-wide custody business, and effectively ensured the operational efficiency and service capability of the custody business. The Bank conducted research on digital business transformation, launched a new custody business efficiency monitoring platform, built a centralized collection and externalization display platform for bank-wide business and customer data, and improved refined service control.

Financial Technology

The Bank comprehensively promoted digital transformation and upgrading. It focused on the four aspects of “digital gene cultivation, digital business construction, digital intelligence construction, and digital technology foundation”, vigorously promoted the construction of digital Guangfa and ecological Guangfa, building the digital mechanism and digital culture, clarifying the transformation route, establishing landmark projects, and achieving phased success of digital transformation. During the reporting period, the Bank’s technology investment totaled RMB3.707 billion, up 19.54% year-on-year, accounting for 4.93% of the Bank’s operating revenue. At the end of 2022, the Bank’s information technology personnel (contract employees, including information technology personnel of the credit card center) totaled 2,093, up 1.65% year on year, accounting for 5.55% of the total employee number of the Bank (including the credit card center).

Cultivate the digital gene and digital culture

Build a digital transformation coordination mechanism and agree on the transformation direction. The Bank thoroughly implemented the Party Central Committee’s decision to accelerate the construction of the digital economy. With the decision and arrangements of digital transformation to drive the transformation of production mode, lifestyle and governance mode, the Bank focused on building the organizational mechanism of digital transformation. It has formulated the *Guangfa Digital Transformation Work Plan* and *Guangfa Digital Strategic Goals and Implementation Path Report*, proposing the development direction of building digital Guangfa internally and ecological Guangfa externally. The Bank has made clear the three-step strategy of laying the foundation, improving the weakness, launching in an all-round way in 2022, achieving breakthroughs from 2023 to 2024, forming a certain scale effect and achieving significant results in the digital transformation in 2025. The three-step strategy establishing the strategic objectives and path for digital transformation, coordinating business and technology, and comprehensively driving the construction of digital Guangfa and ecological Guangfa.

Build a digital talent team and cultivate a band-wide digital culture. The Bank adhered to promoting and implementing the digital culture and building a digital talent team. The Bank conducted a series of training activities around “innovative talent cultivation”, “innovation project incubation”, and “innovation culture construction”, organized “Digital Intelligence Cup” digital talent skill competition, hacker marathon competition, network security attack and defense skill competition, and other financial technology innovation skill competitions, and conducted Guangfa Lecture Hall digital thematic training to strengthen the Bank’s understanding and application of digital assets and digital technology and stimulate digital transformation thinking.

Develop the digital business and diversify the digital service system

Expand the customer product matrix to meet people’s diverse financial service needs. With the theme of “Smartness Follows at One Call”, the Bank launched Mobile Banking 8.0 and Cloud Store 3.0, integrating enterprise WeChat, strengthening the construction of WeChat ecosystem, facilitating private domain traffic management, and accelerating retail transformation. The Bank upgraded and released Discover Wonders 7.0, which embodies the idea of “ultimate experience for each user”, catering to various consumer scenarios and accurately providing high-quality experiences. The Bank stepped up the ecological construction of e-commerce platforms, integrated B-end resources and C-end scenarios, promoted characteristic marketing zones, and achieved significant results in rural revitalization and elderly care zones. The Bank made proactive arrangements in the field of personal pension, fully prepared for the development of personal pension business in terms of systems and services, facilitated the supply of pension financial products, launched multiple products such as public funds, insurance, savings, and wealth management, creating a full cycle of financial pension services. The Bank restructured retail credit mortgage loans and promoted the customer-centric transformation of retail credit services, improving service accessibility and demand response efficiency.

Give play to the role of financial revitalization in promoting stability, and fuel the development of corporate business. The Bank is one of the first banks to connect to the new generation bill business system of the Shanghai Commercial Paper Exchange, supporting enterprises to flexibly split payment and financing of bills, further improving the market competitiveness of “e-second bill”, and effectively relieving financing difficulties for small and medium-sized enterprises. The Bank empowered the development of the supply chain economy, strengthened the connection with external enterprise systems, and provided financing services for small, medium, and micro upstream and downstream enterprises of core enterprises. The Bank strengthened support for industrial chain development, developed credit products for the automotive supply chain, and optimized the approval process, empowering branch product innovation. The Bank launched CIPS Hong Kong dollar clearing service to occupy the cross-border payment and clearing market, provided convenient and efficient payment and clearing services for international settlement, capital business, and cross-border communication business, accelerating the process of RMB internationalization. The Bank supported green and low-carbon transformation, developed functions such as intelligent identification of green labels, and automated measurement of environmental benefits, improving the efficiency of green credit.

Business Overview

Follow the development direction of multi-level capital markets and enhance comprehensive financial competitiveness.

The Bank enhanced the construction of core wealth management capabilities, assisted in the licensing and opening of the capital operation center, obtained important business qualifications such as the qualification for the depository custody business of Guangzhou Futures Exchange, driving the high-quality development of the financial market business. The Bank has built a comprehensive wealth management agency sales and CGB Wealth Management system, expanded wealth management marketing channels, and introduced eight agency sales institutions such as Bank of China and AIBANK. The Bank proactively deployed the intelligent investment advisory business, built GF Smart Investment 3.0, introduced high-quality net worth financial products, and achieved cumulative sales of over RMB10 billion. The Bank has built an integrated system for investment and research in the CGB wealth management system, supported visual analysis of product portfolios, conducted online investment decisions and transactions, and achieved unified management of the investment and research businesses. The Bank strengthened its investment risk management, built a new integrated internal control and compliance system, improved its ability to assess, measure, and dispose of various risks such as credit, market, liquidity, and investment compliance risks, and continued to improve its operational risk management system.

Provide more comprehensive and diverse intelligent operation services to improve customer experience.

The Bank promoted the construction of retail smart brain project groups as scheduled, gradually improved the online and offline customer-centric service platform, and accelerated the construction of the unified customer growth system. The Bank has built a customer experience monitoring and management platform to accurately locate customer pain points and improve the customer service process. The Bank promoted the application of virtual digital services, provided intelligent and efficient interactive services, accelerated the entry into a new stage of human-computer collaboration, and improved the overall service experience. The Bank promoted the construction of the new corporate CRM system, drove customer experience upgrade with technology, pushed forward the full coverage of decision-making, marketing, and service, and improved the precision operation ability of corporate customer groups. The Bank built a CRM system for Hong Kong and Macao branches to help business personnel carry out marketing, customer group management, and other work, and provided core business indicator data and business management insights for management personnel.

Create differentiated operational advantages and deepen the cooperation between insurance companies and the Bank.

The Bank launched the view function of customer assets of China Life, supporting customers to query asset information at one click, and promoting the construction of shared and jointly built IT systems. The Bank improved the ecology of insurance and bank collaboration, optimized the customer referral management process of China Life, and refined the customer operation of insurance and bank collaboration, integrating the business process of insurance-bank collaborative retail credit referral. The Bank expanded the insurance investment and financing business, supported direct bank-enterprise connection to Hong Kong companies, and shortened the time of claims settlement from 3 days to 30 minutes. The project was awarded the Excellent Case of Financial Innovation Achievements in the Greater Bay Area.

Build digital intelligence and foundation for digital operations

Enhance data governance and improve the quality of data assets.

The Bank attached great importance to data management and promoted the construction of a data asset management system driven by business value, stick to the principles of interconnection, credibility, ease of use, and standardization and transparency, activating data value substantially. The Bank established a unified data standard system, realized the automation and intelligent implementation of the entire process with AI technology, and comprehensively streamlined data assets. The Bank promoted hierarchical and classified data management and adopted differentiated management measures which is based on the global data asset catalog to achieve accurate management. To meet the EAST5.0 regulatory requirements, the Bank improved the data governance standard system and improved the quality of data assets. The Bank deepened data sharing, clarified the scope and sharing method of data, and ensured data flow and safe application. The Bank strengthened technical support in terms of standard preparation, implementation, governance, and sharing to fully release data potential and accelerate digital transformation. Through the evaluation and certification of data security and data management, the Bank achieved improvement through evaluation, and obtained data security maturity level 3 certification and data management capability maturity quantitative management level 4 certification.

Deepen the application of big data and AI, and significantly improve business intelligence.

The Bank completed the construction, upgrading and optimization of eight basic platforms, including the data asset management platform and data exchange platform, as well as three professional platforms, to achieve unified management of data assets throughout the Bank, reduced application barriers such as data analysis, data research and development, and data visualization, and achieved platformization and online marketing, risk control, and other processes. Through the intelligent center, the accuracy rate of the accurate classification model for customer voice questions has increased from 80.33% to 95.46%, and the accuracy rate of retail and financial recording quality inspection has increased to 90.27%. The unified marketing platform supports an average of over 800 real-time and batch marketing activities per month, reaching 1 billion customers per month. Through retail digital marketing and operations, Cloud Store has opened 11,100 stores, with 12.01 million visits. A total of over 1.07 million transactions have been completed, with a transaction value of over RMB100.8 billion for wealth management products. The Bank promoted the model management platform, developing 245 payment management models and effectively improving business application. The Bank deepened the application of natural language analysis and processing, intelligent video analysis service, and expanded the scope of scene support. The Bank developed its NLP fuzzy matching system to achieve accurate comparison of customer information in the new card issuance and activation process, and established a firewall to intercept fraudulent transactions. The Bank built a new intelligent video model to improve the accuracy of identifying suspicious customer behavior and environmental risks in complex conditions, improving its early risk warning capability.

Consolidate the digital foundation and enhance the driving force of digital transformation

Deeply promote the digital transformation of internal management. The Bank vigorously implemented smart finance projects, built a financial operation analysis, digital evaluation, project financial post evaluation, and financial risk early warning system, and promoted the standardization, intensification, and intelligence process of financial systems. The Bank promoted the construction of an HR digital transformation system, digitizing various HR operations such as data collection, indicator processing, correlation analysis, centralized display, and decision support, and improving data application. The Bank promoted the office collaboration needs of employees and businesses, promoted basic office services such as domestic email, email archiving, Guangfa Blue Letter,

enterprise browser, WPS+ document collaboration cloud platform, provided employees with localized, data-based, collaborative, remote, and intelligent digital office services, and established a digital office ecosystem applicable with all fields and functions.

Fully implement the national strategy and adhere to the principle of independent and controllable science and technology.

The Bank deeply implemented independent and controllable transformation in five areas: basic software and hardware, office management system, financial terminals, general business systems, and key business systems, and vigorously promoted the use of domestic basic software and hardware. The Bank vigorously promoted the distributed transformation of the two core systems, launched the Bank's core system on schedule for trial operation, and completed the main development of the core credit card system.

Practice green finance and enrich the connotation of digital transformation

Initiate energy-saving and carbon reduction actions and build green data centers.

The Bank actively responded to the national major strategic decision of "Emission Peak, Carbon Neutrality", rapidly adjusted data center construction and operation and maintenance strategies, followed a green and low-carbon development path, and actively carried out energy-saving and carbon reduction actions, achieving significant success. Energy optimization renovation was carried out in the computer room. With automatic control of the precision air-conditioning fans, the Bank reduced the energy consumption of air-conditioning equipment and improved the space utilization of the computer room. The power utilization efficiency (PUE) index of the Nanhai Data Center was optimized from 2.0 to 1.45, saving 27.50% of the electricity cost annually. During the implementation of the Guangzhou Data Center optimization project, the Bank carried out green energy-saving transformation, increased the application of energy-saving technologies, and introduced the high-efficiency refrigeration and cooling technology in the *Green Data Center Advanced and Applicable Technology Product Catalog* issued by the Ministry of Industry and Information Technology. The energy-saving transformation effect was significant. The PUE index was optimized to a maximum of 1.56 in the daytime and a minimum of 1.35 at night, achieving a qualitative leap over PUE 2.0-1.8 in the same period of the previous year. The computer room energy efficiency index met the latest regulatory requirements of less than 1.5 three years in advance, and won the 2022 China IDC Industry Green Contribution Award during the reporting period.

Business Overview



Financial Technology Business Topics

Guangfa's innovative practices in ecology

The Bank strives to construct an “Ecological Bank”, seizes the trend of industrial digitalization, builds an innovative platform ecosystem through innovation in financial technology models by utilizing the Bank’s first-mover advantage in digital transformation, so as to empower the industry, realize a development path of “digital connection – digital finance – digital ecosystem”, and form a CGB ecosystem of Guangfa (with life on the C end, social and public governance on the G end, and industrial interconnection on the B end). By doing so, the Bank can facilitate innovation in business modes, expand a new landscape for business development, and better serve the real economy and satisfy the needs of people.

Expand open banking business areas and foster a service ecosystem for the industry.

The Bank upgrades the financial openness platform to further highlight the platform’s capacity. The number of partners connected in throughout the year was 1,327, up by 38.34% compared with the beginning of the year. The number of APIs output was 3,221, up by 65.61% compared with the beginning of the year, and the number of average daily transactions exceeded 26 million, up by 120.34% compared with the beginning of the year. Investment was increased in hot areas of open banking. Government-related banking services such as non-tax, financial, and medical insurance services accomplished new progresses. Services such as account management, capital transaction, as well as payment & clearing are now provided on Internet channels. Meanwhile, financial services such as deposits & withdrawals, wealth management, insurance, and loans are provided to support branch operations to quickly gain customers via marketing.

Make innovation in digital products and construct a channel to connect with industrial customers.

The Bank embeds financial services into industrial application scenarios, provides industrial customers with inclusive innovative products and professional financial services, in a bid to realize aggregation in terms of resources and data and inject financial technology momentum into the development of

digital economy. The Bank develops digital products in five major areas, including finance and taxation, human resources, labor union, judicial system, and people’s livelihood. Digital ecosystems for education, government administration, hospitals, property management, and other different scenarios were built up. The Bank provides digital services and creates digital connections for the production and life scenarios of customers, so as to deliver a comprehensive solution featuring “finance + technology+ industry”, and also builds the digital ecosystem to achieve a win-win cooperation. Digital products see a significant prospect of gaining customers while remarkable outcomes are achieved in the innovation of financial technology models. During the reporting period, 12 digital products were promoted and applied in 44 branch operations of the Bank to craft the second curve of business growth. By acutely seizing the opportunity of the national’s “Double Burden Alleviation” education policy, the Bank launched a Digital Education & Training Fund Supervision Solution to digitally empower education authorities, students, parents, and off-campus training institutions. During the reporting period, the Digital Education & Training Fund Supervision Solution stood out from more than 200 practical cases in 70 organizations throughout China, and became the only financial institution case chosen by the blue paper of people.com.cn titled *Create New Entities Digitally – Study Case of Digital Technologies Empowering Real Economy (2022)*.

Launch an Industrial Cloud Platform to facilitate the digital transformation of industrial customers.

Guangfa’s Industrial Cloud Platform is a specialized cloud platform designed to empower digital products and ecological cooperation applications. With several digital products such as Digital Labor Union, Digital Bankruptcy, and Digital Kindergarten, the platform provides industrial customers with precise financial services, professional industrial services, and convenient technologies and data services. Clients of the Bank are entitled to stable, secure, flexible, comprehensive, and digital services without purchasing any software or hardware, thus effectively expanding Guangfa’s digital ecosystem.

Serve people with “digital and intelligent” transformation

With the theme of “Smartness Follows at One Call”, the Bank has released the Mobile Banking 8.0 and the Cloud Store 3.0 (dual smart core version) as a new driving force for its digitalized online operation and service. This dual smart core version upholds the original mission of “customer-centered” and continues to make innovations based on existing channel building concept of “smartness, unboundedness, inclusiveness”. The first measure is to forge the digital wealth management’s core capability, expand the coverage of “financial + non-financial” services, offer refined and layered services during the whole life cycle of customers, and upgrade value-added services in the Mobile Banking to cover frequent scenarios of customers’ basic living necessities. The second measure is to redesign the online operation and service mode of the Mobile Banking and the Cloud Store, improve the accessibility and user experiences of financial services with the aim of creating a best user experience which enhances customers’ sense of gain and happiness.

Benefit the people with finance. The Bank keeps strengthening the construction of online non-financial service scenarios and integrates financial services into non-financial daily scenarios of various kinds to meet the growing and diversified service needs of customers. During the reporting period, the Mobile Banking 8.0 released a new living expenditure payment service, covering more than 1,400 public utility payment services throughout China, including water, electricity, gas, heat, and cable TV. Moreover, the top-up services for mobile phone bills and entertainment services were also launched, allowing customers to enjoy phone bill payment, purchase discount coupons, membership of video, music, and reading apps, as well as to

order services of cuisines and trips. The Bank continuously upgraded the accessible services for the elderly, polished mobile banking’s user experiences in details, provided accessible support for transfer, remittance, printing of transaction details and account statements, as well as other services frequently used by the elderly, and continued to expand the service portfolio.

Bring advantages to the people with finance.

The Bank invested heavily to build the “Guangfa Wonderful Gathering” membership system, integrating the accumulation points system of credit cards and debit cards with all kinds of life scenarios in a bid to provide customers with better rights and services that fit with more scenarios. The Bank continued to enrich the supply of products and services, and upgraded the precise recommendation model of products, services, and functions by applying big data, cloud computing, artificial intelligence, and other innovative technologies to design customized service solutions for different customer groups. The Bank also launched “Salary Butler”, “Social Insurance Butler”, “Pension Fund Finance” and other special functions in the Mobile Banking to meet the personalized needs of customers in their schooling, working, and retirement phase, thus promoting the high-quality development of finance by digital means.

Facilitate the people with finance.

The Bank increases investment in the provision of cloud services, during the reporting period, the Bank released the Cloud Store 3.0 that fully integrates officially accredited corporate WeChat accounts, allowing customers to acquire financial and living information, favorable offers, exclusive customized products, and to enjoy the “one-to-one” expert financial services at anywhere in anytime.

Business Overview

Service and Support

Operation and Process Management

Supporting the entire bank with centralized operation and service

The Bank continued to centralize the machine authorization service, the challenging service, and the payment and clearing service to the head office, thus becoming China's first national joint-stock commercial bank with the confirmation letter request services being collectively processed by the head office, which greatly mitigated the workload at branch offices. While continuously expanding the service range, the Bank invested heavily to build the "HQ Centralization Center" and comprehensively boost the efficiency of all the five major payment channels. The concentration rate of business capital clearing reached 98.02% and the service-supported business volume achieved 6.79% year-on-year increase. Sixty percent of expense reimbursement services of the whole Bank were processed at the head office and the process duration was shortened by 24.36%. The pass-through rate of front-end and back-end capital services reached 99.87%, with the full automation rate being 87.08%. The robotic process automation (RPA) application was continuously promoted, with a total of 410 RPA processes been completed, replacing over 51,800 hours of human labor per month. The business scenarios of application include account management, subject management, financial statements, risk management, supervisory document reporting, and many other areas.

Improving user experiences with smart operation

Taking the opportunity of outlet operation transformation, the Bank facilitated the transformation of operational functions by releasing hall resources at outlets, carried out process optimization, and built a "visible, controllable, and manageable" digitalization management system. The Bank kept perfecting smart self-help machines in the hall as well as common functions on the mobile financial platform. The Bank cared about elderly customers and fundamentally solved their problems in using self-help machines by enriching colors on the screen, enlarging the font size, and redesigning the operating process to fit with the habit of the elderly. In addition, The Bank redesigned the account opening application form on the WeChat Official Account and the Mini Program to realize instant deposit and repeated use. Now more than 90% of customers choose to open bank accounts through the online channel.

Building strong barriers against risks with stable operation

The Bank guaranteed instant response to customers' needs by securing business continuity and reasonably allocating operation resources of the whole bank. It established and consolidated an anti-gambling and anti-fraud system consisting of pre-event interception, mid-event blockage, and after-event monitoring. The Bank also reconstructed the operation risk management and control platform to draw operation risk portfolios for customers, enabling one-click inquiry of operation risks for customers. It optimized the account classification and grading mechanism to realize differentiated control and strengthened the management of cash in hand by reducing about RMB400 million of average daily cash reserve in hand, and also greatly circulated 687 units of inefficient equipment to save a large amount of purchasing cost.

Promoting digital transformation with innovative operation

The Bank is the first one in China that launched direct connection with the CIPS payment lens service in its branch operations in Hong Kong and Macao. It further deepened the reform to streamline administration and delegate power, improve regulation, and upgrade services. It piloted a settlement account system that combines local and foreign currencies and continuously improved the business environment and promoted branch operations to connect with local platforms, thus enabling the provision of "commerce, taxation, public security, and banking" service at one window. The Bank aggressively piloted the implementation of Digital Currency Electronic Payment (DCEP) while continuously improving and expanding function scenarios. It fully supported the business construction in key areas, provided 19 services for the Greater Bay Area and promoted payment with mobile phones, with more than 900,000 registered users, obtaining 132 centralized payment and non-tax agency qualifications at central and local levels.

Brand and Service Management

Brand building

By making full efforts to embrace the 20th National Congress and catering to the new development pattern of centrally-owned financial institutions, the Bank tells a good story, establishes a sound corporate image, and actively publicizes new measures and new effects of serving the real economy and innovative reform. In addition, actions are taken to strengthen reputation risk management and effectively protect the brand image of the China Life Group and the Bank. During the year, the Bank witnessed nearly 180,000 articles with positive public opinions and carried out special planning with 56 new media agencies. It received 50-odd awards granted by mainstream media and ranked 61st in the Global Banks 1000 list and also has been rated as the World Brand Lab for 15 consecutive years, and ranked 182th on the overall list (up by 4 positions than the previous year) and 9th on the banking list.

In terms of news propaganda, the Bank keeps a close eye on the country, stays closely around the major decisions made by the Party Central Committee, and carries out sustaining propaganda on the following themes: assistance to enterprises, stabilizing logistics and foreign trade, maintain a green and low-carbon way of production and life, serving the real economy, expenditure reduction, new citizen services, and developing personal pension finance as the third pillar. The Bank organized 11 media briefing meetings and surveys, invited over 20 experts to make announcements for the industry, released the industry's first Report on the *Development and Trend of Credit Card Financial Technology Innovation for Generation Z*. It attended the special press conference on "Banking and Insurance Measures to Stabilize and Promote Economic Growth". The Bank also vividly interpreted the story behind its name CGB on authoritative platforms and demonstrated its sound brand reputation and good image by releasing news about "serving the Greater Bay Area with finance" and "upgrading the financial service system" at the Guangdong Interbank Press Conference for the Second Quarter and the Service Innovation Summit held by China Banking and Insurance News.

In terms of brand management, the Bank made systematic plans for brand building and launched the "14th Five-Year Plan" Brand Plan to define the strategic positioning of the brand, goals, staged missions, key measures, and implemented security plan of the Bank. It released the annual publicity slogan of "Discover Wonders with you and Create the Future" and launched the annual parent brand image and serial posters to tell the 34-year brand story at the 34th anniversary celebration of the Bank, realizing multi-layered interactions with customers and employees, and displaying the brand image of the Bank more clearly, intuitively, and vividly. The Bank utilized CBA basketball marketing resources and jointly developed a co-branded debit card with CBA to mainly serve child-parent household lives, which effectively supported customer relation maintenance and business expansion. It hosted the "Guoshou 616" customer festival and the "Guangfa Sharing Day" marketing campaign, launched the personal pension finance brand, completed the planning and implementation of China Guangzhou International Finance Expo and other large-scale comprehensive exhibitions and actively organized all employees to conduct business marketing and gain customers via marketing campaigns.

Protection of consumer rights and interests and service supervision

The Bank staunchly follows the decisions of the Party Central Committee, holds fast to the "people-centered" development philosophy and the "customer-centered" service philosophy, overcomes the complicated situation at home and abroad, insists on being oriented by goals and problems, maintains customer complaint risks generally controllable under industrial fluctuations by further changing the work style, strengthening system advancement, and highlighting key areas, thus ensuring stability during the 20th National Congress. The Bank strives to receive a higher rank given by CBRC and the People's Bank of China. During the reporting period, the Bank held a customer experience improvement meeting and a skill competition on customer service innovation. By virtue of those events, a number of customer experience improvement projects were developed so as to create a sound atmosphere throughout the Bank where customer experiences are valued.

Business Overview

Achieve good regulatory evaluation. According to the regulatory notification, during the reporting period, the People's Bank of China rated the Bank as level A in the Annual Consumer Protection Rating, marking another annual upgrade following previous ones. The Bank ranked 6th among shareholding peers in the CBRC Consumer Protection Evaluation, up by one level, or by five positions, over the previous year.

Perfect system and mechanism construction. The Bank improved the corporate governance mechanism and built a meeting mechanism that regularly reviews, studies, and supervises consumer protection affairs conducted by the Board of Directors, the Board of Supervisors, the party committee, the Consumer Protection Committee, and the Consumer Work Committee. It solidly promoted system construction by formulating and revising more than 10 consumer protection documents, including *the CGB Work Plan for Comprehensive Treatment of Customer Complaints in 2022* and *the CGB Measures for the Emergency Management of Major Risk Events in the Protection of Financial Consumers' Rights and Interests*. 980 consumer protection reviews were completed throughout the year, with the total reviews increased by more than 27% on a year-on-year basis. The review quality and efficiency have been continuously improved.

Fully consolidate the management foundation. Centering on the four requirements of “changing ideas, strengthening the system, optimizing the mechanism, and improving capabilities”, the Bank made efforts in consumer rights protection, customer experience management, service brand building, technology-enabled customer service, and insurance-banking collaboration. The focus of consumer protection was shifted from “high scores” to “high efficiency”. Competition edge were fostered on the basis of firmly sticking to the bottom line, thus boosting high-quality development with high-quality consumer protection.

Heighten differentiated advantages. The bank-wide consumer protection service improvement meeting and the bank-wide customer experience improvement meeting were held. Consumer protection services were taken as the cornerstone of promoting the high-quality development of the Bank with an aim to create the best experience bank. Focused on customer needs, the Bank stimulated value creation and further enhanced the awareness of consumer protection services.

Enrich the content of consumer protection. The Bank successfully held the customer service skill contest titled “Consumer Protection for Common Benefits”, which was attended by 64 branch organizations and more than 13,000 employees. This contest was approved by the Chinese Financial Workers' Union and the financial workers' union of the Group. Combining annual customer surveys and actual business priorities, The bank recommended 125 experience improvement projects, which effectively further strengthened the “customer-centered” philosophy.

Build an experience management platform. The Digital Customer Experience Management Platform 1.0 was operated and customers were invited to provide evaluation and feedback in major scenarios. The platform provides the dynamic experience management and quantitative evaluation function from the full-process aspect of customers, so as to achieve “perceivable, quantifiable, and operable” customer experiences in the business department. Traditional services were changed into active digital experience management to transfer the focus from products to customer emotions so as to visualize the process for customers in real time.

Financial propaganda and education achieves results. The “central kitchen” publicity mode was applied in a creative manner to bring together all the publicity channels throughout the Bank and create an online and offline education pattern that is centralized and clustered, thus enhancing the scientificity, effectiveness and pertinence of propaganda and education. By implementing the “Five Ones” action plan, the united finance education event has made new breakthroughs and progress was made in the ranking of regulatory evaluation. To satisfy personalized needs of the customers, the Bank worked with a research company to hold special surveys for the customer group, the new citizens, and the generation Z to understand their preferences and needs in the content, form, and channel of propaganda and education. This provides references for the Bank to design differentiated activity schemes. The Bank also established a long-term education mechanism; created a team of “ace livestreamers” consisting of young employees of generation Z from the Bank to release serial short videos on consumer protection, which transform professional finance knowledge into understandable and practical rules. During the reporting period, the Bank carried out a total of more than 7,400 financial knowledge education activities, reached more than 53 million consumers, and published more than 900 reports through the media.

Institution Management

By the end of 2022, the Bank had established 966 business outlets and 1 wholly-owned subsidiary in 115 cities at or above the prefecture level across 26 provinces (including autonomous regions and municipalities) in mainland China as well as in Hong Kong and Macau Special Administrative Regions, covering all of the 21 prefecture-level cities in Guangdong Province. With the tenet of serving the real economy and supporting the balanced development among regions, the Bank actively served such national regional development strategic plans as Beijing-Tianjin-Hebei coordinated development, development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Economic Zone, the integrated development of Yangtze River Delta region, ecological protection and high-quality development in the Yellow River Basin, and construction of double-city economic circle in the Chengdu-Chongqing region, supported the all-round revitalization of Northeast China, and economic development in western China, accelerating the rise of the central and accelerated modernization of the eastern region, so as to continue to optimize the layout of existing outlets and continuously make ceaseless efforts to promote the high-quality development of branch outlets.

Human Resources Management

Organization Management

In pursuit of the vision of “building a first-class commercial bank in China”, the Bank continuously strengthened basic management, proactively consolidated management foundations, and strengthened impetus for reform and development. During the reporting period, in alignment with strategic direction, the Bank comprehensively and systematically optimized the organization structure, department responsibility positioning and post staffing, as well as organized and completed the policy of “three determinations” by the Head Office, which further strengthened the headquarters’ leadership and established an organizational structure with clear responsibility assignment, scientific decision-making and smooth operation for the Head Office.

Personnel Management

The Bank followed market-oriented selection and employment mechanism and selected and employed competent personnel in the principle of “equality, openness, competition, merit-based” according to the “person-post matching criteria”. The Bank cultivated high-quality talent teams and promoted the construction of digital talent teams by such means as open competition, post exchange, job rotation, selection and promotion from cadre reserves, and market-oriented talent introduction. During the reporting period, the Bank comprehensively established the personnel recruitment, talent selection, and personnel exchange system under the new position framework, further enhanced the scientific and standard design of employees’ career development, and formed a sound competitive mechanism that stresses on both integrity and ability, appoints personnel in a fair manner, emphasizes responsibilities, focuses on actual capabilities, and encourages steady progress. The Bank thoroughly implemented the decisions of the Party Central Committee and the State Council on “stabilizing and securing employment” and spared no effort to ensure the employment of college graduates and other key groups. The Bank carried out programs including spring, summer, autumn campus recruitment and summer intern recruitment to provide a platform for college graduates to gain job opportunities and intensify educational practice. The Bank constantly strengthened its employer brand by live “recruitment”, university-enterprise cooperation, media operation and other means, and had won China Best Employer Award for 12 consecutive years. The Bank improved the normalized work mechanism for training and selecting outstanding young cadres, established a training platform which is cross-level, cross-company, cross-border and cross-field, put more effort into on-job practice and educational training, and strengthened the building of young-cadre teams.

Business Overview

Performance Management

The Bank established a scientific, fair performance assessment and incentive and restrictive mechanism, conveyed the strategic focus of the Bank to each outlet and all employees through performance assessment. It strengthened application of performance evaluation results, built a performance culture oriented towards value contribution, and promoted the implementation of strategies and the common growth of employees. During the reporting period, the Bank established and perfected a short-term as well as medium-and-long-term assessment and evaluation system in accordance with development strategies and business conditions. It continuously optimized performance management indicators system, intensified assessment in terms of risk compliance, capacity per capita and market competitiveness, implemented the operation principle of seeking progress while maintaining stability and enhancing quality and efficiency. It also upheld to the mechanism of “positive incentive and negative restriction”, and closely integrated the evaluation results with remuneration distribution, post adjustment and selection activities, constantly strengthened supervision and improvement of the performance assessment process, improved the level of refined management and promoted the optimization of comprehensive work under the help of assessment.

Remuneration and Benefits Management

The Bank established a mechanism of linking the total wages with the net profits and other performance indicators and linking them in the same direction. The remuneration distribution provided favourable policies towards the front line, key strategic areas and institutions with significant profit contribution, and gave full play to the leading role of resource allocation. As for remuneration management, the Bank aims to establish a market-oriented salary system. To this end, the Bank adhered to the principle of putting efficiency first and maintaining fairness; insisted on market-oriented distribution of post-matched and performance-linked remuneration; the Bank established differentiated remuneration system and strengthened incentives for core talents, key personnel and high-performance employees. The Bank continuously improved remuneration structure and gradually stepped up incentive and restrictive

measures, intensified the linkage of performance-related remuneration to evaluation results by establishing the wide range remuneration system determining target annual salary according to posts and actual annual salary based on performance. As for Senior Executives and employees in positions heavily involving risks, the Bank continuously improved the deferred payment and recourse and deduction of performance-based remuneration and emphasized the guiding role of performance-related remuneration in operation and management. The Bank has established an enterprise annuity system to guarantee income for employees after their retirement. Moreover, the Bank offers a supplementary medical insurance scheme to provide comprehensive supplementary medical insurance for all the staff and retired employees by purchasing commercial insurances and setting up a mutual-aid medical fund.

Training Management

The Bank followed the rule of talent development in its education and training work, intensified education and training empowerment, focused on the guidance of Party building and the implementation of strategies, continued to strengthen the Party spirit education and theoretical education for cadres and employees under the leadership of the Party school of China Guangfa Bank. In addition, the Bank promoted the improvement of the business capability of cadres and employees based on the 5 major branches of professional study. In 2022, the Bank held a training course on improving the political capability of the Bank’s “top leaders” at the Party School of the CPC Central Committee, involving leading cadres at all levels of the Head Office and branches and effectively improving the leading cadres’ ability to judge and understand political issues and implement political requirements. It continued to deepen business training and hold digital transformation training such as Digital Intelligence Cup competition; made full use of the platform of “CGB Lecture” to carry out special training on macroeconomic situation and bank development strategies, and on practice and reflection of digital transformation of commercial banks and actively promoted online empowerment, enhanced the convenience and comprehensiveness of training and teaching, enlarged and perfected online live broadcast training, and held a total of 527 live broadcast training sessions during the year.

Major Holding Subsidiaries

As the first wholly-owned subsidiary of the Bank, CGB Wealth Management Co., Ltd., is a concrete practice of the Bank's strict implementation of new rules and regulations for asset management and financial management. Since the establishment, CGB Wealth Management has been strictly following the Articles of Association, implementing the aim of "managing money on behalf of clients as entrusted by them", continuously improving the quality and efficiency of services provided for the real economy, and has achieved effective integration of the party's leadership and modern corporate governance mechanisms by adopting an independent market-oriented corporate operation mechanism. By the end of 2022, the total assets of CGB Wealth Management were RMB5.437 billion, and the net profit for the whole year was RMB190 million.

The net value product system was constantly enriched.

CGB Wealth Management has launched 13 product series, with 131 net value wealth management products in existence by the end of 2022. The products are mainly medium to low-risk ones (PR2 and below), supplemented with medium-risk products (PR3) and medium to high-risk products (PR4), involving various maturity types. Product lines, such as cash management, pure fixed income, fixed income enhancement, partial-debt hybrid, equity-debt balance, multi-asset hybrid, and partial-equity hybrid, have covered various basic products, while product lines, such as high-deposit allocation with low volatility, closed valuation with main amortized cost method, and ESG theme, have involved various characteristic products, fully meeting various wealth management needs of customers.

Investment strategies were continuously optimized and improved.

By strengthening macroscopic and interest rate researches, establishing a fixed-income market model analysis system, and combining multi-level indicator monitoring models and multi-dimensional cycle clocks, CGB Wealth Management made dynamic researches and judgments on macro cycles, interest-rate trends, and various asset configurations, further enriched and improved the product structure of fixed-income and multi-asset products driven by dual wheels and provided with weighted products as the highlight, and constructed a comprehensive wealth management product toolbox under the framework of dynamic adjustment of incomes and risks, achieving the product system development goal of "making medium and low-risk products bigger and stronger, and developing proprietary and characteristic products".

The working results were recognized by the market.

With the continuous promotion of the net value transformation, CGB Wealth Management significantly improved the research and development capabilities of financial products, and the product brands were recognized by the public and authoritative media. In 2022, CGB Wealth Management won several awards successively, such as "Gold Reputation Award for Excellent Hybrid Bank Financial Products" from Puyi Standard, "Golden Tripod Award for Excellent Banking and Wealth Management Brand of the Year" from Daily Economic News, "2022 Golden Shell Award for Premier Financial Company" from 21st Century Business Herald, "2022 Golden Bull Potential Award for Bank Wealth Management Company" from China Securities News, "2022 Tianji Award for Outstanding Bank Financial Management Team" and "Tianji Award for Fixed-income Team" from Securities Times, as well as Award for Financial Innovation Cases in Guangdong-Hong Kong-Macao Greater Bay Area (Financial Management/Asset Management Innovation Service Institution)" from 21st Century Business Herald.

Risk Management

Overview of Risk Management

During the reporting period, the Bank continued to maintain a prudential and moderate overall risk management strategy, continuously promoted a “full-coverage” comprehensive risk management system, perfected the risk management system, strengthened the use of risk management tools, cultivated a risk compliance culture, perfected the “three lines of defense” mechanism for internal control and accelerated the digital and intelligent transformation in risk management. Moreover, the Bank effectively promoted the implementation of the final version of Basel III, established and improved the management mechanism for recovery and disposal plan, strengthened the construction of a comprehensive risk platform and promoted data integration, in an effort to deliver a more active, forward-looking and effective risk management style and improve comprehensive risk management capability.

The Bank has established a fully structured risk management framework system with responsibilities clearly defined, forming a multi-level, interconnected and effectively controlled and balanced operating mechanism. The Risk Management Organizational Structure is composed of the Board of Directors and its special committee, Board of Supervisors, senior management and its special committee, Comprehensive Risk Management Department, and various risk management departments etc.

The Board of Directors assumes ultimate responsibility for the Bank’s comprehensive risk management and is responsible for establishing a risk culture, and determining the overall risk appetite and risk tolerance, and approving the Bank’s targets, strategies, policies and procedures for major risk management. Risk Management Committee is subordinated to the Board of Directors, responsible for reviewing strategies, policies, and major affairs of risk management, money laundry risk management, case prevention management, major asset disposal programs, and carrying out control, management, evaluation, and supervision over the risks of the Bank, etc. The Board of Supervisors assumes the supervisory responsibility for comprehensive risk management, and is responsible for supervising and inspecting the performance of duties and responsibilities by the Board of Directors and the senior management in risk management and urging rectification.

The senior management undertakes the responsibilities of implementing the comprehensive risk management and executes resolutions made by the Board of Directors. The Internal Control Compliance and Risk Management Committee, the Asset and Liability Management Committee, the Credit Approval Committee, Investment

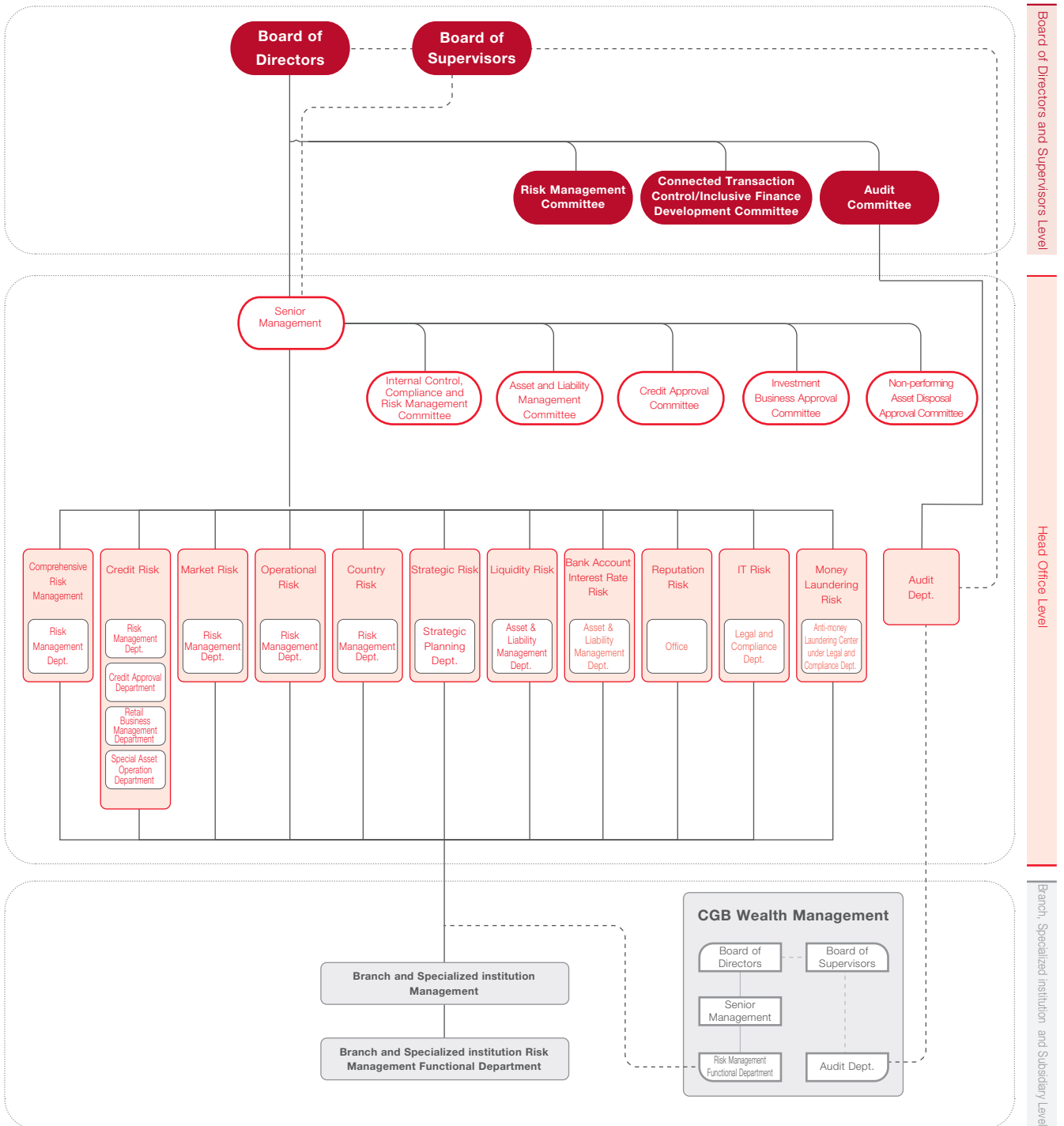
Business Approval Committee and Non-performing Asset Disposal Approval Committee under the senior management are responsible for analyzing risk strategies, guidelines and policies for preventing credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, and money laundering risk etc. Meanwhile, they are also responsible for evaluating the effectiveness of the management system, monitoring the implementation of management measures as well as identifying deficiencies in the management system and figuring out solutions accordingly.

The Risk Management Department is the leading department in comprehensive risk management, taking the lead in performing the daily management of comprehensive risks. The Risk Management Department, Credit Approval Department, Retail Business Management Department, and Special Asset Operation Department are responsible for formulating, implementing and managing the Bank’s credit risk management regulations. The Risk Management Department is responsible for the formulation, implementation and management of the Bank’s management regulations for market risk, operational risk and country risk. The Asset & Liabilities Management Department is responsible for the formulation, implementation and management of the Bank’s management regulations for bank account interest rate risk and liquidity risk. The Legal and Compliance Department is responsible for the formulation, implementation, examination and management of the Bank’s management regulations for compliance risk, IT risk and money laundering risk. The Audit Department and four regional audit centers are responsible for independent review and evaluation of the adequacy and effectiveness of the Bank’s corporate governance, internal control and risk management.

Risk management decisions made by the Board of Directors, the Risk Management Committee of the Board and senior management are executed by branches under instructions from relevant departments.

In accordance with the Bank’s comprehensive risk management framework, CGB Wealth Management established a comprehensive risk management organizational structure and management mechanism to ensure that risk management requirements are fully extended within the Group.

Risk Management Organizational Structure



Note: risks other than those mentioned above are all included in overall risk management.

Risk Management

Risks Encountered by the Bank and Corresponding Countermeasures

Credit Risk

Overview of Credit Risk Management

Credit risk refers to the risk of economic losses to the creditor or holder of a financial product due to the borrower's or the trading counterpart's failure to perform its contractual obligations on time or due to changes in credit quality which affects the value of the financial product. In recent years, the Bank sought for progress while maintaining stability, comprehensively improved its risk management capability, and continuously promoted its own high-quality development to prevent and reduce credit risk losses.

During the reporting period, the Bank continued to enhance industry research, optimize credit structure, strengthen risk prevention and control in key areas, categorize risks, and continue to improve asset quality. Firstly, the Bank focused on the changes of macroeconomic conditions, enhanced research on national regulatory policies and systems, timely published the industry credit guidelines, and clearly defined overall credit strategies for the industry, the access conditions for credit customers and credit management requirements, so as to consolidate the customer base and prevent industry credit risks. Secondly, the Bank formulated strict examination and approval requirements, issued operational guidelines on examination and approval and conducted post-supervision on the

examination and approval quality of branches in a bid to further improve the quality of examination work. Thirdly, the Bank strengthened control on key areas. It highlighted the risks in key industries and conducted risk investigation on real estate development enterprises, construction enterprises, key industries affected by the external environment as well as key areas including customer credit concentration, low-risk business and authenticity of risk classification, so as to prevent and defuse risks in a timely manner. Fourthly, the Bank increased the efficiency of basic control. The Bank continued to optimize and perfect rules of warning signals to improve the accuracy of risk warning. The Bank rapidly iterated the risk rating model and conducted dynamic early warning for risk events to identify potential high-risk customers in advance and take differentiated control measures. Fifthly, the Bank continued to optimize risk measurement and management tools. The rating model and functions of rating-related systems were continuously optimized, and the coverage, precision and differentiation of the model were perfected. The Bank deepened the construction of a comprehensive risk management platform, further improved the customer risk warning system, and enhanced the effectiveness of overall and single customer risk monitoring, strengthened model verification management, improved model development efficiency, and continued to improve quality and efficiency of risk management. Sixthly, the Bank continued to intensify the collection and disposal of non-performing assets. It reinforced efforts in cash collection and employed various methods such as write-offs, packaging and asset securitization in a comprehensive way to resolve risky assets.

Five-grade Classification of Loans and Changes in Non-performing Loans

Five-grade Classification of Loans and Loss Provisions for Each Grade of Loans

Unit: RMB'000

Item	As at 31 December 2022	Percentage (%)	As at 31 December 2022 Loss provisions for loans
Pass	1,970,203,651	96.11	21,136,108
Special mention	46,152,489	2.25	12,770,359
Substandard	9,722,413	0.47	5,278,355
Doubtful	21,338,544	1.04	14,057,382
Loss	2,589,625	0.13	2,562,089
Total	2,050,006,722	100.00	55,804,293

Note: Discounts are included in the data of the five-grade classification of loans, but accrued interest is excluded.

Changes in Non-performing Loans

Unit: RMB'000

Item	31 December 2022		Increase/decrease during the period		31 December 2021	
	Balance	Percentage (%)	Amount	Percentage (%)	Balance	Percentage (%)
Substandard	9,722,413	0.47	(1,391,592)	-0.08	11,114,005	0.55
Doubtful	21,338,544	1.04	7,785,900	0.37	13,552,644	0.67
Loss	2,589,625	0.13	(1,214,084)	-0.06	3,803,709	0.19
Total	33,650,582	1.64	5,180,224	0.23	28,470,358	1.41

Risk Management

Major Policies, Measures and Effects of Non-Performing Asset Management

During the reporting period, the Bank continued to intensify the collection and disposal of non-performing loans, the collection of cash and the creation of operating profits with several approaches such as conventional debt collection, bad debt write-off, transfer of creditor's rights, and securitization of non-performing assets in accordance with the legal compliance, transparency and risk settlement principle. Firstly, the Bank strengthened the collection of non-performing assets with conventional approaches such as independent collection, lawsuit collection and disposal of collateral, followed the idea that collection creates value, and continuously strengthened cash collection. Secondly, the Bank made reasonable use of bad debt write-off methods, and promoted "full verification" in compliance with laws and regulations. Meanwhile, in accordance with the principle of "write-off account with case retained", the Bank continued to strengthen the collection and disposal of non-performing assets after write-off. Thirdly, the Bank implemented the inventory management for non-performing assets and put more effort into marketing promotion to improve the quality and efficiency of collection and disposal of non-performing assets. In 2022, the Bank collected and disposed a total principle of RMB38.646 billion in terms of non-performing loans.

Loans Classified by Business and Structure of Non-performing Loans

At the end of 2022, the Bank's non-performing loan ratio increased by 0.23 percentage point from last year. In terms of loan structure, the bad corporate loan ratio of non-performing (including discounts) grew by 0.34 percentage point from the previous year, mainly due to the decline in the asset quality of real estate industry and its upstream and downstream enterprises under the impact of macro environment. The non-performing ratio of personal loan increased by 0.08 percentage point from the previous year, mainly attributable to decline in the quality of personal loan assets resulting from external environment. By actively assisting the affected companies and individuals and strengthening the collection and disposal of non-performing assets, the Bank generally controlled the relevant risks to a reasonable extent.

Unit: RMB'000

Item	31 December 2022			31 December 2021		
	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Corporate loans (including discounted bills)	1,147,179,581	55.96	1.98	1,113,556,111	55.22	1.64
Personal loans	902,827,141	44.04	1.21	902,950,800	44.78	1.13
Including: Credit card overdraft	439,688,628	21.45	1.58	452,345,153	22.43	1.54
Total	2,050,006,722	100.00	1.64	2,016,506,911	100.00	1.41

Note: Accrued interest is excluded in the data of loans.

Corporate Loans Classified by Industry (Excluding Discounted Bills) and Non-performing Loans

Unit: RMB'000

Industry customers	31 December 2022			31 December 2021		
	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Manufacturing	165,659,395	19.00	2.23	147,457,090	16.90	5.14
Wholesale and retail	93,839,214	10.76	6.21	84,257,908	9.66	5.03
Real estate	116,172,584	13.33	6.66	153,359,417	17.57	2.15
Construction	71,077,178	8.15	4.37	59,764,958	6.85	1.13
Transportation, warehousing and postal services	54,270,993	6.23	0.10	52,089,218	5.97	0.26
Water resources, environment and public facilities management	121,079,073	13.89	0.03	129,286,979	14.82	0.05
Leasing and commercial services	127,032,380	14.57	0.48	127,497,464	14.60	0.62
Mining industry	21,423,237	2.46	0.83	34,819,453	3.99	0.92
Information transmission, software and information technology services	8,921,223	1.02	2.28	7,180,492	0.82	7.48
Others	92,288,483	10.59	1.37	76,959,460	8.82	0.82
Total	871,763,760	100.00	2.61	872,672,439	100.00	2.09

Note: Accrued interest is excluded in the data of loans.

Risk Management

Provision and Write-off of Loan Impairment Allowances

Unit: RMB'000

Item	Loan impairment allowances
Opening balance	52,623,079
Impairment allowance for the year	48,861,048
Reversal of the year	(20,305,741)
Recovery of amounts written off in previous years	4,514,921
Write-offs and transfer in the year	(30,220,185)
Closing balance	55,473,122

Note: Includes only the loan impairment allowances measured by amortized cost.

Assets as debt repayment

Unit: RMB'000

Item	2022 31 December	2021 31 December
Assets as debt repayment	177,712	801,694
Including: Housing property	93,122	717,104
Land use rights	84,590	84,590
Less: Impairment allowance	(86,479)	(191,737)
Net assets as debt repayment	91,233	609,957

Market Risk

Market risk refers to the risk of losses incurred from on-sheet and off-sheet business of a commercial bank caused by adverse changes of market prices (including interest rates, exchange rates, stock prices and commodity prices). The Bank's market risks mainly comprise the fluctuations in interest rate and exchange rate.

The Bank established and improved the market risk management system according to regulatory requirements such as the Administrative Measures for Capital Management of Commercial Banks (Trial), Commercial Bank Market Risk Management Guidelines and Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision). The Board of Directors of the Bank assumes the ultimate responsibility for monitoring market risk management; the senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures, and specific operational codes for market risk management; the Risk Management Department leads the installment identification, measurement and monitoring of market risks of the Bank, and report the market risk management to the Board of Directors, the Risk Management Committee of the Board and senior management on a regular basis; the Asset and Liability Management Department of the Head Office is responsible for managing interest rate risk in the Bank's account books.

In terms of trading accounts and banking account books, the Bank managed their market risks with different methods. Market risk management over trading accounts mainly involves daily revaluation of positions in trading accounts by the application of market risk-related limits such as VaR limit, exchange rate sensitivity limit, interest rate sensitivity limit and stop-loss limit, and regular measurement of market risks using such methods as sensitivity analysis, VaR analysis and stress testing. In terms of market risk management over banking accounts, the Bank focused on management of interest rate and exchange rate risks to identify, measure, and monitor the market risks of various business lines taking a range of approaches such as duration monitoring, exposure analysis, sensitivity analysis, scene analysis and stress testing. The market risk and capital mid-office systems, and the liquidity risk and banking account interest rate risk management systems have successfully measured and monitored various risks regarding trading accounts and banking accounts.

Faced with the increasingly complicated financial situation at home and abroad, regulatory authorities have encouraged domestic commercial banks to implement market risk system reform in recent years. Actively responding to the regulatory requirements, the Bank has performed the FRTB market risk project under Basel III since 2021. In 2022, the Bank organized the establishment of FRTB market risk management information system mainly based on the market risk consulting results in 2021. Functions including all valuation model functions, FRTB modules and SACCR modules have been put into production and the verification of partial data has been finished. The establishment of such system continues to advance. In addition, the Bank's market risk management department actively took various management measures to improve the quality efficiency of market risk management. For example, the Bank optimized the portfolio limit system within the framework of market risk appetite, reasonably set market risk limit indicators within the framework of risk appetite indicators, organically combined the performance of risk indicators with market changes, and strengthened stared at market monitoring and early warning prompts. It employed various derivative instruments to mitigate and hedge interest rate and exchange rate risks, revised and perfected rules and systems and optimized the system functions, strengthened risk assessment in terms of new products and new businesses, conducted regular stress tests, and strengthened the financial market situation and business analysis and reporting mechanism. As of the end of 2022, the Bank's market risk didn't have any breach of the risk appetite indicators set by the Board of Directors for risk limits and warning thresholds of the Bank. According to the Administrative Measures for Capital Management of Commercial Banks (Trial), the market risk capital provision of the Bank covered the interest rate risk, exchange rate risk, stock price risk and commodity price risk in the transaction accounts, as well as the foreign exchange risk and commodity risk in banking accounts. At the end of 2022, the Bank's market risk capital amounted to RMB3.260 billion with a slight increase compared with the end of previous year, mainly due to increase in specific risk and in general interest rate risk.

Risk Management

Bank Account Interest Rate Risk

The bank account interest rate risk refers to the risk of losses of economic net value of bank accounts and overall earning caused by in case of adverse changes in the interest rate level and term structure, mainly including gap risk, basic risk and option-related risk.

The Bank established the bank account interest rate risk management system, covering measurement method and analysis frame such as Board of Directors' risk appetite, risk limits, gap analysis, duration analysis, scene simulation and stress testing in accordance with the Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision) promulgated by China Banking and Insurance Regulatory Commission, and evaluated the impacts of interest rate changes on operation from the aspects of net interest income and economic value. The Board of Directors assumes ultimate responsibility for the effective management of bank account interest rate risks. The senior management is responsible for approving the bank account interest rate risk limits of the Bank, authorizing and urging functional departments to effectively manage bank account interest rate risks. The Asset and Liability Management Department is responsible for the identification, measurement, monitoring and control of the bank account interest rate risks of the Bank. The Bank measures its bank account interest rate risks in accordance with the standardized measurement framework. According to the gap of asset and liability period terms and expectations on market interest rate, the Bank guided the adjustment of liability duration via FTP and active liability, and studied the risk hedging strategy on interest rate derivatives in accordance with market situations.

The Bank kept a close eye on the changes of fundamentals of the macro economy at home and abroad, monetary policies, external interest rate environment such as LPR and regulatory policies, and intensified studies on interest rate trend, continuously optimized the asset and liability structure, and enhanced risk measurement capabilities. During the reporting period, the control of bank account interest rate risks was considerable, and all indicators were within the limit.

Liquidity Risk

Liquidity risk refers to the risk of a commercial bank failing to obtain sufficient funds timely at reasonable cost to repay debt due, perform other payment obligation and meet other funds demand to conduct normal business.

The Bank established an effective liquidity risk management governance structure following the principle of separate functions of policy formulation, implementation and supervision and in accordance with the Measures for the Management of Liquidity Risk of Commercial Banks issued by CBIRA, and specified the responsibility and reporting line of the Board of Directors and its special committee, Board of Supervisors, senior management and relevant departments in liquidity risk management. The Board of Directors of the Bank assumes ultimate responsibility for liquidity risk management and reviews and approves liquidity risk appetites, liquidity risk management strategies, major policies and procedures. The Board of Supervisors supervises and evaluates the performance of the Board of Directors and the senior management in liquidity risk management. The senior management leads, organizes and promotes the liquidity risk management of the Bank. As the leading department regarding liquidity risk management, the Asset and Liability Management Department takes responsibility for the identification, measurement, monitoring and control of liquidity risk of the whole Bank; continues to monitor the status of high-quality liquid assets and maintain appropriate and reasonable reserves; actively adjusts the total amount of asset and liabilities, structure of liabilities and cash flow gap limit by virtue of internal funds transfer price tools to improve the stability of liabilities; assigns internal liquidity risk limits and supervises the implementation of them; conducts regular liquidity risk stress tests and organizes the testing and evaluation of liquidity risk contingency plans.

The Bank closely monitored monetary policy orientation and market developments, and enhanced liquidity risk management to ensure the continuity of the Bank's funds payment in case of emergencies. During the reporting period, the Bank realized excellent liquidity risk control, and all of its liquidity risk regulatory indicators met the regulatory requirements.

As at the end of 2022, the Bank's relevant indicators including LCR were as follows:

Unit: RMB'00,000,000

Item	2022 31 December	2021 31 December
LCR (%)	121.68	172.47
High-quality liquid assets	4,105	5,216
Net cash outflow in the next 30 days	3,373	3,024
Liquidity ratio (%)	59.18	72.54
Liquid assets	7,777	8,703
Liquid liabilities	13,141	11,997

In accordance with the requirements for Measures for the Information Disclosure on the Net Stable Funding Ratio of Commercial Banks promulgated by the China Banking and Insurance Regulatory Commission, the information of the net stable funding ratio in 2022 is disclosed as follows:

Unit: RMB'00,000,000

Item	2021 31 December	2021 31 December
Net stable funding ratio (%)	103.00	109.54
Stable funds available	18,722	18,279
End-period value of net stable funding needed	18,177	16,686

Risk Management

Operational Risk

Operational risk refers to the risk of loss, including law risk, but excluding strategic risk and reputation risk, caused by imperfect or problematic internal procedures, employees, IT systems and external events. The Bank has established an operational risk management system that complies with regulatory agencies and the Group's requirements and is commensurate with the nature, scale and complexity of the Bank's business, and has controlled the bank-side operational risk losses within the preferred limits approved by the Board of Directors.

During the reporting period, the Bank continued to improve the operational risk management capabilities, so as to prevent major operational risk events and reduce operational risk losses. 1) Leveraging the operational risk consulting project under the final version of Basel III, the Bank completed the measurement model design of new standard method, rebuilt operational risk management systems, established group-wide revision plans for operational risk management systems to further cement the operational risk management mechanism. 2) The Bank optimized the self-assessment working mechanism of operational risk control, and enhanced the effectiveness of risk control and the re-evaluation and audit of remaining risks to improve the quality and efficiency of evaluation. 3) The Bank comprehensively collected and re-checked the current key risk indicator system to further improve the quality and effect of the indicator system, and continued to monitor the effect of key risk indicators in operation. 4) The Bank improved the data collection standard of operational risk loss to further standardize the scope and identification rules of event collection; completed data governance to ensure the quality of the Bank's loss data, and improved the accuracy of measurement of operational risk capital occupation.

Country Risk

Country risk refers to risks that economic, political or social changes and events occurred in a foreign country or region, which render borrowers or debtors in that country or region unable or unwilling to repay bank debts or cause the Bank to suffer commercial losses or other losses in that country or region.

The Bank strictly followed relevant regulatory requirements, adhered to the principles of steadiness and prudence, established a country risk management system in line with strategic objectives, risk status and complexity, and incorporated country risk management into the overall risk management system. The Bank continued to strengthen country risk management. According to the country risk assessment results, the Bank divided relevant countries or regions into 7 internal ratings, corresponding to 5 risk levels: lower, low, medium, high and higher, and carried out classified management on each risk level. Moreover, the Bank identified, measured, monitored and controlled country risks in a timely manner, regularly assessed country risk levels and conducted limit management for businesses bearing country risks, and guided businesses to be inclined to low-risk countries, and submitted major issues involving country risk management policies, adjustment of limit plans etc., to the Board of Directors for deliberation and decision. At the end of 2022, the level of country risks involved by the Bank's country risk creditors was lower and sufficient country risks impairment provision was made, hence the country risk was controllable on the whole.

Reputation Risk

Reputation risk refers to the risk of negative evaluation on the Bank by stakeholders, the public and the media due to the actions of the Bank offices at all levels, actions of employees or external events etc., thus damaging the Bank's brand value, detrimental to the Bank's normal operations, and even affecting the market stability and social stability.

During the reporting period, the Bank deeply learned and implemented General Secretary Xi Jinping's important exposition and spirit about news and public opinion work; took multiple measures to control public opinion risks and safeguard the sound image of the Bank by strictly following the Measures for the Management of Reputational Risks of Banking and Insurance Institutions (Trial). No major incident that impairs the reputation has occurred throughout the year. Firstly, measures were taken to strengthen the organizational management of reputation risks. Reputation risks were listed as a key mission and key supervision item in 2022. The board of directors and the board of supervisors actively took their

ultimate supervisory responsibilities for reputation risk management. Secondly, measures were taken to further implement the forward-looking management requirements. Risk prompts have been sent to the whole bank at key nodes such as the Spring Festival, the “Two Session”, the “3.15 Party”, and the 20th National Congress to ensure a smooth transition. Regular and special checks were strictly carried out to eliminate hidden hazards from the very beginning. The pre-event reputation risk evaluation was carried out to identify risks and the focus of public sentiments, develop response plans, and effectively resolve public opinion risks. Thirdly, measures are taken to lay a solid foundation for risk management. The reputation risk management of subsidiaries was promoted based on their conditions while subsidiaries were instructed to include reputation risk management into the company-wide risk management system and formulate administrative policies. The Bank innovatively carried out systematic training and drills; continuously expanded the hierarchy of reputation risk training; innovated in training forms; enriched training content; organized differentiated and systematic reputation risk management training for different positions and groups, so as to improve the reputation awareness and handling capability of all employees.

Strategic Risk

Strategic risk refers to the risk that the strategy does not match the market conditions and the Bank’s capabilities due to the ineffectiveness of the Bank’s strategy making and execution or due to changes in external operating conditions. Strategic risk management refers to the effective identification, assessment, control and reporting of strategic risks by establishing and formulating relevant regulations and mechanisms, identifying and resolving the problems in strategic management such as positioning goals, development policies, and business models, thereby avoiding or minimizing material adverse impacts on the Bank.

The Bank proactively formulated its development strategies in combination with internal and external environment and policy orientation with three to five years as a strategic

planning period in accordance with the cycle of national macro-economy planning, promptly carried out dynamic adjustments of the strategic planning according to changing situations, and corrected strategy implementation deviation through regular evaluation, in order to prevent adverse impacts on the bank’s stable operation due to improper strategic decisions or ineffective strategy implementation. Unless in possession of relevant knowledge, resources and risk management capabilities of a certain business field, the Bank will not conduct business in such field. New products and new businesses shall be launched upon completion of approval procedures and based on necessary resources, technologies, processes and risk management capabilities. The Bank continued to conduct strategic monitoring and process management, carried out regular strategic implementation evaluation, and promoted and strengthened the building of strategy execution capability. The Bank paid close attention to the changes in the situation and implemented the latest decisions and arrangements of the CPC Central Committee. The Bank conducted forward-looking strategic research and deployment following the trend of times and considering its transformation and development goals of “adhering to value orientation, promoting effective growth, improving profitability and achieving high-quality development”. The Bank further consolidated and strengthened its strategic advantages and advanced resolutely towards its goal of becoming one of China’s first-class commercial banks.

During the reporting period, to regularly evaluate strategy implementation, the Bank oriented itself to the market, dynamically evaluated the staged strategic objectives and the effects and deficiencies of strategy implementation, analyzed the opportunities and challenges in the future, and proposed pertinent development strategies for the following period. Meanwhile, the Bank regularly monitored and evaluated strategic risks under the comprehensive risk management system.

During the reporting period, the Bank’s strategic risks were controllable on the whole and had no material adverse impacts on the Bank’s normal business operation and management.

Risk Management

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory punishments, significant financial losses and reputation losses resulting from a commercial bank's failure to obey laws, administrative laws and regulations, departmental rules and other normative documents, as well as industry standards, codes of conduct and professional ethics of self-regulatory authorities. During the reporting period, the Bank continued to pay close attention to the latest changes in laws and regulations, timely internalized external regulations and strengthened process monitoring, continued to conduct compliance training and publicity, and carried out identification, assessment, monitoring and prevention of compliance risks. The Bank intensified the preliminary compliance review for new products and new businesses, and prevented compliance risks in on and off-balance sheet business innovations.

Facing the complex environment at home and abroad as well as the severe compliance situation, the Bank earnestly implements the decision made by the Party Central Committee, and holds fast to the bottom line of preventing systemic financial risks. The year 2022 is set as the "year of strengthening compliance performance" to firmly establish the operation concept that "compliance creates value", take internal control compliance and risk prevention as the life line of high-quality development, promote the compliance performance among all employees in the Bank, and continuously improve the conforming operation capability and level of the Bank. By sticking to the main line of "strengthening compliance performance capability and improving internal control and management level", the Bank never stops consolidating the basis of compliance management and enhancing a long-term mechanism for internal control and compliance management.

Promote the strengthening of compliance performance. To strengthen the publicity and deployment of compliance performance, the Bank held a bank-wide compliance performance publicity work meeting to publicize the importance of compliance performance, and developed a compliance performance checklist to raise the awareness and capability of compliance performance among all employees of the Bank. Special training sessions and serial counseling sessions were organized and the Cloud Lesson of Compliance Performance was given to clarify the requirements and approaches for implementing the compliance performance checklist and facilitate the implementation of compliance performance. The assessment was valued to emphasize compliance performance responsibilities. The compliance performance checklist was included into the assessment indicator system of the head office and branch operations to highlight the promotive and guiding role of assessment in compliance performance.

Complete the accountability system. The Bank followed the "serious, standardized, timely, and accurate" general accountability requirements and implemented the accountability system construction from small to large; developed and revised institutional documents, improved the institutional system, defined the range, standard, and procedure of accountability investigation, and constructed a brand-new and three-dimensional internal accountability system.

Strengthen the investigation of key areas. The Bank earnestly implemented the grid-based and peer-to-peer supervision mechanism proposed in the Opinions on Violation Prevention Management, and carried out special investigations into abnormal behaviors in key areas. First, measures were taken to supervise the behaviors of employees at work or off work. The peer-to-peer supervision mechanism covers all the branch operations of the Bank. The compliance performance culture based on grid-based supervision is deeply accepted by employees. Supervisory measures such as family visits and heart-to-heart talks started to gain effect, so as to eliminate risks at the very beginning by means of normalized, close and visualized supervision. Secondly, measures were taken to conduct investigation on violation risk and abnormal behaviors of employees, ensure implementation of regulation for preventing criminal cases and cross-inspection on abnormal behaviors of employees. Special check, such as gambling, are carried out. The bank also emphasize investigation on key area and enhance level for violation case prevention..

Complete the money laundering risk prevention and control system. The Bank deeply implemented the "risk-based and substantively effective" anti-money laundering requirements; pursued the goal of "comprehensively improving the money laundering risk management capability; aligned itself with the latest anti-money laundering regulatory requirements; actively promoted the optimization of anti-money laundering mechanism; improved the anti-money laundering framework; built a new generation anti-money laundering system and improved the quality of anti-money laundering data to enhance its ability to prevent and control money laundering risks; organized and carried out self-assessment of institutional money laundering and terrorist financing risks in accordance with new regulatory requirements to improve the effectiveness of risk assessment and control; improved the awareness and capability of anti-money laundering performance and the public's awareness of preventing money laundering risks through hierarchical training and internal and external publicity activities; established and improved the inspection and supervision system combining "on-site and off-site inspections" to improve the performance of the second line of defense; actively cooperated with regulatory agencies at all levels to carry out institutional risk assessment and inspection, so as to effectively prevent and mitigate money laundering risks.

Information Technology Risk

Information technology risk refers to the operational risks, legal risks and reputation risks arising from natural factors, human errors, technical vulnerabilities and management defects during the application of information technology by a commercial bank. In practice, the Bank's information technology risk management includes business continuity management and outsourcing risk management.

The Bank set up an organizational structure for IT risk management, with IT department as the "first line of defense", the IT risk management department as the "second line of defense" and the auditing department as the "third line of defense". The Bank specified its goals, principles and frameworks for the IT risk management, formulated an institutional framework with information technology risk identification, assessment and monitoring as the main body, set forth policies covering production, operation and maintenance, development and test, information security, business continuity, outsourcing risk management strategies.

In the area of IT risk management, the Bank continued to improve the IT risk management system. 1) The Bank increased the number of IT risk management personnel to strengthen the building of IT risk management team. 2) The Bank launched IT risk management consulting project and benchmarking the best practice in the industry by introducing external professionals, so as to improve the Bank's IT risk management mechanism and system. 3) The Bank put IT off-site supervision and report system into operation to promote the online filling and reporting of regulatory data. 4) The Bank organized Branches to carry out self-inspection and random inspection of IT risk management, strengthen the bank staff's awareness of IT risk prevention through thematic training, and endeavor to improve staff's ability to perform their duties. The three lines of defense at the head office and all branches jointly built a solid shield to prevent information technology risk.

In the area of business continuity management, the Bank established a business continuity management system to meet regulatory requirements and the Bank's actual needs. The Bank has built up the information system architecture with "two locations and three centers", namely Foshan Nanhai Data Center, Guangzhou Intra-city Backup Center and Beijing Off-site Disaster Recovery Center. The disaster recovery system has full coverage of business continuity management of a critical information system, meeting the Bank's business continuity management requirements. 1) The Bank actively carried out response work in respect of business continuity, conducted business continuity drills, built multiple work places in reserve, separated personnel at the main and standby sites and took measures including enclosed management, effectively ensuring the sustainable and stable operation of important businesses. 2) According to the continuity plan, the Bank promoted the consistent construction and improvement of backup resources. Additionally, the Bank carried out the actual switching drill of important information systems, disaster recovery drill, actual combat drill, and simulated drill. During the drills, the Bank's emergency response organizational structure, reporting route and the effectiveness of emergency measures were comprehensively tested, and the emergency response and disposal capabilities of all units were improved.

In the area of outsourcing risk management, the Bank embedded outsourcing risk management requirement throughout the implementation of outsourcing projects and enabled classified and phased control of outsourcing projects. 1) The Bank revised and improved the relevant outsourcing management system and strengthened the system control in accordance with the latest regulatory regulations. 2) The Bank continued to conduct outsourcing risk identification and warning, regularly carried out outsourcing project initialization management, and utilized outsourcing management system to carry out outsourcing service quality, emergency management and other supervision and management work. 3) The Bank organized and carried out special information security inspection of IT outsourcing projects of the bank, RCSA assessment of outsourcing risk management and on-site inspection of important outsourcers to implement the requirements of outsourcing risk management.

Risk Management

Exposure of Risks with Significant Amounts

According to the Administrative Measures for Exposure of Risks with Significant Amounts of Commercial Banks promulgated by China Banking and Insurance Regulatory Commission, significant amount exposure refers to the exposure of commercial banks to a single customer or a group related customers in excess of 2.5% of their Tier 1 capital. The Bank made great efforts to the management of significant amounts exposure risk by setting internal limits, dynamically monitored changes in exposure of risks with significant amounts and set early warnings, continuously to promote information system building and enhance the Bank's capability to prevent significant amounts exposures. At the end of 2022, the Bank's significant amounts exposure was controlled within the regulatory limit.

Internal Control

The Bank has formulated the objectives and principles of internal control in accordance with relevant requirements of the Commercial Bank Law, the Guidelines on Internal Control of Commercial Banks and other laws and regulations, promoted the establishment of an internal control system consisting of five major elements including internal environment, risk assessment, control activities, information and communication and internal supervision, with the aim of managing and controlling the entire process of the Bank's operation and management, which continuously optimized its internal control system in practice. During the reporting period, the Bank has strengthened its system, continuously improved the overall inspection and co-ordination management mechanism, and enhanced the construction of the platform which integrates internal control with compliance, to continuously optimize the Bank's internal control system.

Fully implement the "institutional compliance year" event By deeply analyzing and studying the gaps and deficiencies in the current institutional system compliance work, the Bank focused on the key points of work, formulated specific work measures around tech-system construction, inspection and supervision, assessment and accountability, compliance training, and system optimization, and promoted the construction and long-term operation of institutional management, so as to improve the internal control and compliance management of the whole bank.

Actively promote the continuous optimization of the institutional system. The Bank organized and conducted special inspections on the construction and implementation of rules and regulations to promote reforms through inspections; continuously promoted the optimization and improvement of internal systems to ensure that systems cover key compliance points and management stages. The Administrative Measures for Rules and Regulations was revised and improved to clarify the management and control requirements in each stage of the system life cycle, promote effective practices to institutional norms, and transform institutional advantages into governance effectiveness.

Improve the inspection and rectification closed-loop management system. The first measure is to strengthen the overall management of internal control and compliance inspections, formulate the annual internal control and compliance inspection plan, and carry out internal control and compliance inspections based on regulatory concerns, the Bank's risk control priorities and inspection priorities, and improve the quality and efficiency of internal control and compliance inspections across the Bank. The second measure is to improve the standard manual of internal control, further update and expand process management links, control points, typical problems in inspections and inspection methods, organically combine inspection projects with the integrated process management system, and evaluate the effectiveness of the closed-loop operation system of each business process through inspection items. The third measure is to strengthen the process management of inspection item establishment, implementation, inspection, problem discovery, and rectification, deeply analyze the causes of problems, promote rectification from the root causes of rules, processes, and systems, and continuously drive the improvement of the internal management mechanism.

Promote the construction of an integrated platform for internal control and compliance. The first measure is to comprehensively promote the use of supervision and inspection module to realize functions such as the coordination and management of inspection plans throughout the Bank, the standardization of inspection procedures, the unified management of inspection problems, and process-based management of rectification implementation, thus effectively improving the inspection coordination and problem rectification tracking and management capability throughout the Bank. The second measure is to continue the optimization of system management, violation prevention management and other module functions, add the full-text searching of regulatory documents, improve the search experience, and optimize the grid management of employees. The third measure is to sort out and put forward full-process requirements for accountability management, launch the violation point module, and carry out trial operations.

Internal Audit

The Bank operates an independent vertical internal audit management system. Internal audit department carries out its work under the direct leadership of the Board of Directors and the CPC Committee, to which it is accountable and reports its work. The Board of Directors has ultimate responsibilities for the independence and effectiveness of internal audit. The Audit Committee under the Board of Directors manages and guides the bank-wide audit with the authority from the Board of Directors. The Head Office has set up an Audit Department and four Regional Audit Centers in Guangzhou, Beijing, Shanghai and Wuhan to perform supervision, evaluation and consulting functions independently. During the reporting period, following the communist leadership and national strategies, focusing on the critical concerns of China Life Group and the CPC Committee of the Head Office, the Bank fully performed supervisory and advisory functions by enriching audit approaches and innovating audit methods to improve the Bank's corporate governance, internal control and risk management level.

Hold fast to the bottom line of risk. The focus was put on the audit and supervision of credit risks, internal control risks of branches, and other key areas. The Bank carried out audit supervision on the whole process, products and branch operations of the credit business from multiple dimensions both vertically and horizontally; promoted the discovery and resolution of credit risks; promoted the transformation of audit; strengthened the performance supervision for leaders; conducted in-depth unannounced inspections of branch operations to promote the healthy and sustainable development of remote institutions; checked the rectification of problems and improved the closed-loop management of audit.

Promote the optimization of operation management. Around the key area of converting the "kinetic energy" for high-quality development and focusing the digital transformation and the "Dual Light" business development, the Bank initiated audit projects and surveys, put forward audit suggestions in a timely manner to promote the application of audit results, consolidate the foundation of the Bank for high-quality development, and promote the improvement of the organizational structure, system process, and risk control, thus effectively improve management effectiveness and governance level.

Improve risk control capabilities. The Bank improved the data audit infrastructure, continued to optimize basic technology platforms such as audit data and management platforms, strengthened the access to data audit resources, and further expanded data audit application scenarios; formulated the Implementation Plan for CGB's "Year of Data Audit Capacity Building" to improve the joint operation mode, the technical support mode, and the data support mode of data audit and effectively improve the efficiency of internal audit; improved the all-around off-site audit monitoring system that combines index inspection, early warning analysis, and special inspection, and continuously tried to move forward the node of audit so as to further enhance the ability to reveal risks.

Integrate into the joint supervision system. The Bank continued to strengthen the information sharing and cooperation on the second and third lines of defense, promoted the coordination, cooperation and business exchanges among internal audit, internal control and compliance, risk management, discipline inspection and supervision departments, improved the joint prevention and control mechanism to form a supervisory synergy; strengthened cooperation with the CBIRC and the National Audit Office and other external regulators, to keep abreast of regulatory concerns and the latest requirements, and create a favorable external regulatory environment.

Improve the overall quality of audit team. The Bank strengthened the construction of the audit team, improved the professional skills and comprehensive quality of the auditors; optimized the professional structure of the audit team, and improved the overall performance of the whole team; strengthened work manner construction, and strictly enforced audit discipline.

Capital Management

Capital Allocation and Management

The Bank implemented the requirements of regulating capital, and ensured that no systemic financial risks would take place and effectively enhanced its ability to serve the real economy on the premise of meeting regulatory capital standards and with the aim of effectively covering and resisting risks, and supporting the steady development of business. The Bank stuck to implementing capital-intensive management and strove to build up a development model centering on capital management and value management. During the reporting period, the Bank carried out comprehensive arrangement on the total capital and structure, and reasonably restricted the over-expansion of risk-weighted assets according to the management objective of the capital adequacy ratio, and ensured that the capital adequacy ratio was in line with regulatory requirements on an ongoing basis. Meanwhile, the Bank constantly improved the resource allocation and operation management mechanism, adopted the guideline of economic value-added and risk-adjusted return on capital, urged optimizing the asset portfolio and further promoted the development of 'light capital, light assets' business.

During the reporting period, the capital adequacy ratios at all levels continued to exceed the regulatory requirements on systemically important banks.

Capital Adequacy Ratio

Overview of Capital Adequacy Ratio

The Group calculates its capital adequacy ratio in accordance with the Administrative Measures for Capital Management of Commercial Banks (Trial) and other regulatory requirements promulgated by the CBIRC. The particulars at the end of 2022 are as follows:

Unit: RMB'000

Item	2022 31 December
Total net capital	313,812,573
Including: Core Tier-1 capital	216,858,309
Deductions of core Tier-1 capital	(3,688,296)
Net core Tier-1 capital	213,170,013
Other Tier-1 capital	44,991,071
Deductions of other core Tier-1 capital	-
Net Tier-1 capital	258,161,084
Tier-2 capital	55,651,489
Deductions of Tier-2 capital	-
Total risk-weighted assets	2,420,993,282
Including: Credit risk-weighted assets	2,237,451,354
Market risk-weighted assets	40,748,623
Operational risk-weighted assets	142,793,305
Core Tier-1 capital adequacy ratio (%)	8.81
Tier-1 capital adequacy ratio (%)	10.66
Capital adequacy ratio (%)	12.96

Notes: 1. Scope of calculation of capital adequacy ratio: The Group's consolidated basis includes CGB Wealth Management and all domestic and overseas branches.

2. Measurement methods for risk-weighted assets concerning various risks: method of weighting for credit risk-weighted assets, standardized approach for market risk-weighted assets and basic indicator approach for operational risk-weighted assets. During the reporting period, there was no significant change in the measurement methods for various risk weighted assets, including credit risk, market risk and operational risk, the risk measurement system and relevant capital requirements.

Strategic Cooperation with Major Shareholders

Capital Composition

For more details of the Bank's capital composition according to the Regulations on Disclosure of Capital Composition of Commercial Banks issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website (www.cgbchina.com.cn).

Leverage ratio

For details of the Bank's leverage ratios according to the Administrative Measures on Leverage Ratios of Commercial Banks (Revised) issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website (www.cgbchina.com.cn).

Capital Financing Management

The Bank actively improved the internal and external capital replenishment mechanism, fully implemented capital planning, and enhanced capital strength. During the reporting period, the Bank completed additional share issuance, issued additional shares that were worth RMB2.103 billion and raised funds of RMB18.37 billion.

Implementation of Basel III

At the CBIRC guidelines, the Bank developed and established an internal rating system and optimized the models and supporting systems, and deepened the application of internal rating outcomes in risk management fields, like authorization management, industry access, credit policy, loan pricing, post-loan management, economic capital measurement, and asset impairment calculation.

Based on the above work, the Bank tightly followed the international capital supervision reform and promoted the implementation of the Basel III final solution, and basically optimized the measurement of credit risk, operational risk and market risk, to make preparations for the implementation of the new capital management requirements in the Bank as scheduled.

The Bank carried out all-around cooperation with its major shareholders in the principle of complementary advantages and mutual benefits. During the reporting period, the Bank cooperated with China Life Insurance Company Limited and members of its superior group in the fields including commission-based insurance distribution, commission-based fund distribution, cash management, investment banking, asset management, asset custody, inter-bank business and other fields, and achieved remarkable effects. Based on the philosophy of "one customer, one China Life", the Bank gathered the efforts of banking, insurance and investment and developed its advantages in comprehensive financial services with characteristics to enhance its ability to serve the country's development, support the real economy, and improve people's well-being.

The Bank cooperated with Citic Trust Co., Ltd. mainly in the field of trust agency, investment banking and asset custody.

The Bank partnered with State Grid Yingda International Holding Group Co., Ltd. and other member companies of its parent company in such areas as commission based insurance distribution, commission-based fund distribution, asset custody, third-party depository, capital transaction, comprehensive credit granting and deposit business.

The Bank cooperated with Jiangxi Communications Investment Group Co., Ltd. mainly in the field of deposits, loans, asset custody, etc.

Prospects for the Bank's Future Development

Industry Competition Pattern and Development Trend

In 2022, facing the complicated environment at home and abroad, Party Central Committee wielded strong leadership to stabilize the overall situation of economic and social development. The People's Bank of China stepped up efforts to implement a prudent monetary policy, giving full play to the dual functions of monetary policy tools in volume and structure, and promoting the steady growth of monetary credit and social financing. The banking industry maintained stable operation, actively served national strategies, supported steady economic growth, and steadily expanded its assets and liabilities. Credit resources were tilted towards key areas such as infrastructure, manufacturing, small and micro enterprises, technological innovation, green development, and rural revitalization. The operation performance was stable and the asset quality was stably improving. The risk compensation ability continued to enhance. Capital adequacy basically maintained stable, thus playing an important role in helping stabilize the economic market.

The report of the 20th National Congress of the Communist Party of China makes a comprehensive deployment for solidly promoting Chinese-style modernization. The 2022 Central Economic Work Conference proposes to well manage economic issues in 2023, focus on promoting high-quality development, reach a better balance between development and security, and comprehensively deepen the Reform and Opening Up policy. It also proposes to vigorously boost market confidence, organically combine the implementation of the domestic demand expansion strategy with the deepening of the supply-side structural reform, focus on stabilizing growth, employment, and prices, and effectively prevent and resolve major risks, so as to generally improve economic operation, achieve effective improvement in quality and reasonable growth in quantity, and make a good start for the comprehensive construction of a modern socialist country.

Looking forward to 2023, the banking industry of China will continue stable operation and development. Against the backdrop of a stable macro economy, a precise, sound, and powerful monetary policy, and a proactive fiscal policy to increase efficiency, China's economy is expected to recover in general and create a favorable external environment for the development of the banking industry. The assets, liabilities and business of the banking industry are expected to grow steadily. The growth rate of the M2 and social financing scale basically matches the nominal economic growth rate. Efforts were made to rationally optimize the credit structure, ensure to meet the demand for credit funds in key areas such as major project construction, advanced manufacturing, strategic emerging industries, green and low-carbon, and rural revitalization, so as to help restore and expand consumption and fully support the stable development of the real estate market. The interest rate spread of the industry is expected to maintain low and stable. The intermediary business will develop steadily with resilient profitability. The asset quality and risk compensation capacity indicators will be within a reasonable range. The development of the industry will continue to show a certain differentiation. The trend of professional operation, characteristic development, light operation, and digital transformation will become more apparent. The banking industry will continue to make financial work more political, people-oriented, and professional; closely implement policies; strengthen the research and implementation of the Party Central Committee's decisions and arrangements; effectively support the regionally coordinated development strategy; adhere to the purpose of financial services, that is to serve the real economy; provide meticulous services for improving people's livelihood and well-being, promoting people's life quality, and boosting major strategies such as green development, technological innovation, rural revitalization, and powerful manufacturer; provide better customized services, build better professional capabilities; create its own operating advantages, and enhance differentiated competitiveness, so as to contribute financially to the construction of an overall socialist modern powerhouse.



Business Plan of 2023

The year 2023 is the first year to fully implement the spirits of the 20th National Congress of the Communist Party of China and a key year to carry forward the Fourteenth Five-year Plan. The Bank will implement the new development idea completely, accurately, and comprehensively, and stick to the general principle of making progress while seeking stable. With the theme of promoting high-quality development, the Bank will earnestly do the following work well: Serve the overall interests and build a solid foundation. The Bank will optimize consumer financial products and services, vigorously develop retail credit, and expand domestic demands with high-quality financial supply services; improve financial services in key areas such as advanced manufacturing, strategic emerging industries, and the transformation and upgrade of traditional industries. It will also promote the expansion of the inclusive financial system while actively integrating and serving the construction of a new development pattern. Create financial characteristics based on the Greater Bay Area. While seizing the opportunity of constructing the Greater Bay Area, the Bank will highlight the synergistic advantages of insurance and banking, act as a pioneer to construct demonstrative areas for reform and innovation, and accelerate the promotion of projects such as pension finance, cross-border collaboration, and Greater Bay Area collaboration. The purpose is to effectively increase market share and create a bank with comprehensive financial characteristics. Deepen the transformation and improve quality and efficiency. The Bank will focus on promoting business transformation and value creation around high-quality development, make tremendous efforts to increase revenue and efficiency, steadily improve core competitiveness, emphasize optimizing asset allocation, improving and expanding liabilities, integrating and coordinating resources, building valuable customer groups, and improving asset quality, so as to achieve steady improvement in operating efficiency. Hold the bottom line of

safe development. The Bank will focus on comprehensive risk management and improve its intelligent risk control capability, apply risk prevention and control in key areas, strictly prevent large-amount credit extension risks, prudently identify risks and make risk plans, and strictly control asset quality; take powerful measures in internal control and compliance management, strictly implement regulations, and increase the intensity of inspection, supervision and accountability to ensure that all businesses are conducted in accordance with laws and regulations.

Possible Risks and Countermeasures

The economic situation will remain complicated and grim in 2023. On the one hand, the global financial pressure continues to rise while the financial cycle and the economic cycle are in a downward phase internationally. The world is facing high inflation, an increasing risk of recession, and intensifying volatility in the global financial market. Domestically, the social production and livelihood will recover at a faster pace and economic would be revitalized more quickly. While the general trend of economic recovery has been further consolidated, the pressure on local governments' financing platforms to repay debt and interest has increased and great uncertainties still exist in the real estate industry. On the other hand, regulatory policies will maintain their focus on the real economy. The Bank will beef up its support for technological innovation, green finance, and inclusive small and micro enterprises to form a benign circle between finance and the real economy.

The Bank will pay close attention to changes in domestic and international environments, take prudent and positive actions, maintain the balance between development and safety, adhere to the combination of comprehensive prevention and key control, the integration of precise judgment and bottom-line thinking, and the unity of scientific prevention and active resolution, so as to improve initiative in risk management and defuse risks in key areas.

Environmental and Social Responsibility

Adhering to the social responsibility concept of “focusing on people development to achieve a harmonious and win-win situation”, the Bank actively fulfilled its responsibilities as a centrally-owned enterprise, served the real economy, practiced green finance, promoted green operations, strengthened the protection of consumers’ rights and interests, helped with the construction of beautiful countryside, and performed well in public welfare and charitable undertakings, so as to continuously improve the brand value of CGB.

Serve national interests and shoulder responsibilities

The Bank thoroughly studied and implemented the spirits of the 20th National Congress of the Communist Party of China, and resolutely implemented the decisions and arrangements made by the Party Central Committee to effectively serve national development, support the development of the real economy, provide credit support for the transformation and upgrading of the manufacturing industry, and bail enterprises out of difficulties. It also increased the loans issued for strategic emerging industries, promoted the establishment of a long-term financial service mechanism where small and micro enterprises dare to, are willing to, able to, and know how to apply for loans. The preferred target of support was high-quality small and micro enterprises aligned with China’s industrial development direction to improve service capabilities for small and micro enterprises. At the end of 2022, the balance of medium and long-term loans for the manufacturing industry of the whole bank increased by 20.48% compared with the beginning of the year, and the balance of loans for strategic emerging industries increased by 105.18% compared with the beginning of the year. The balance of loans for inclusive small and micro enterprises was RMB159.193 billion, with an increase of 17.20% from the beginning of the year, or 16.76% higher than the growth rate of all loans. The interest rate of new loans issued throughout the year was 5.11%, with a decrease of 126 basis points from the beginning of the year. The number of clients with a loan balance was 224,300, with the amount increased while the price reduced. Meanwhile, the Bank strictly implemented various fee reduction and profit-taking policies and increased efforts in independent reduction and exemption. The amount of fee reduced and profit surrendered reached RMB3.367 billion throughout the year. To implement the new development concept, the Bank helped support residents’ consumption upgrades and their requests for becoming “new citizens” with loan serves, and boosted the original intention of consumption. It built a comprehensive financial service system for “new citizens” to provide differentiated and comprehensive financial services for migrant workers, self-employed entrepreneurs, graduates of college and technical secondary schools, and migrant senior citizens. The service covers housing mortgages, consumer loans, business loans, agent distribution services, pension finance, and preferential rights and interests. The Bank also recommended “E Loan”, “Brilliant Loan”, and other products to new citizens in need of differentiated financial services for being in the transition period of household registration in a city. By the end of 2022, the Bank had accumulatively served more than 15 million new citizen customers, issued a total of 109 million credit cards, realized a consumption amount of RMB2.49 trillion. The balance of personal loans was RMB463.139 billion, of which the balance of self-operated credit consumption loans increased by 41.62% from the beginning of the year. The balance of self-operated

credit business loans increased by 14.97% from the beginning of the year, and the balance of self-operated mortgage business loans increased by 12.86% from the beginning of the year, thus helping to promote the expansion and improve the quality of new consumption.

Facilitate rural revitalization to jointly pave the way to prosperity

By fully exerting the advantages of comprehensive financial services, the Bank thoroughly implemented the decisions and arrangements made by the Party Central Committee to promote rural revitalization, strengthened organizational management, leveraged its financial advantages as the main business to carry out targeted assistance and take other measures to consolidate and expand the achievements of poverty alleviation while comprehensively promoting rural revitalization. Actions were taken to strengthen system construction, well complete key tasks of the year, refine the setting of assessment indicators for rural revitalization, clarify the assessment requirements, and promote the implementation of rural revitalization strategies throughout the year; establish a regular supervision and reporting mechanism to promote rural revitalization, sort out the achievement of various assistance indicators and tasks, strengthen political supervision, perform daily supervision, and pinpoint responsibilities precisely. With continuously enhanced credit support on rural revitalization, agriculture-related loans continued to grow, and the growth rate of inclusive agriculture-related loans was higher than the growth rate of all the loans of the Bank. Efforts were made to intensify the promotion of the “Rural Revitalization Loan” products, with a total of 42 branch operations promoting the product to realize a loan balance of RMB4.399 billion. Thus the Bank strengthened the financial support for consolidating and expanding the achievements of poverty alleviation and rural revitalization. The bank formulated a marketing competition scheme for inclusive agriculture-related loans to improve the service capabilities of branch operations in key areas of rural revitalization, such as areas under county areas lifted out of poverty, and key supported counties. The Bank strengthened the cooperation with governments in rural revitalization and signed a strategic cooperation agreement with the Guangdong Provincial Department of Agriculture and Rural Affairs to provide packaged special debt services for 17 cities and regions. At the end of 2022, the balance of agriculture-related loans of the Bank was RMB147.562 billion, with an increase of 7.04% from the beginning of the year. The balance of inclusive agriculture-related loans was RMB19.625 billion, with an increase of 19.01% from the beginning of the year. As of the end of 2022, the Bank had assumed rural revitalization tasks at 60 supporting areas and appointed 54 supporting leaders. Earnest efforts were made to pair up the Communist Party organizations at supporting areas and strengthen the “backbone” of grassroots organizations for rural revitalization. The support for the industry was strengthened to identify industrial projects and generate featured local supporting industries. Remarkable achievements were made in consumption support. The “Rural Revitalization Zone” of GUANGFA e-Mall sold supported products with value of about RMB53 million. The amount of products purchased and marketed by the Bank exceeded RMB30 million. Efforts were made to extensively raise supporting funds and provide precise financial assistance. Nearly RMB18 million (including Guangfa Hope Charity Fund) of supporting funds was invested in rural revitalization. Relying on educational and charitable programs, the Bank better supported intelligence development, strengthened

health and education assistance for the youth, and deepened the cultivation of talents for rural revitalization. Financial knowledge popularization was carried out to continuously improve villagers' financial literacy.

Implement “dual carbon” goals and develop green finance

The Bank focused on the national “dual carbon” goals to boost green development. In 2022, the Bank carried out a climate risk stress test to evaluate the potential impact of the transformation of carbon peak and carbon neutrality on the Bank's credit assets. The test results showed that, under the stress scenario, the credit risk of the Bank's eight high-carbon industry customers increased to a certain extent, but had little impact on the Bank's asset quality. The Bank is committed to promoting green operation, and continues to carry out energy-saving and carbon-reducing actions. During the reporting period, the Bank did not have any major environmental violations. The Bank accelerated the implementation of the green financial development strategy and the “Dual Carbon” action plan, continuously improved and perfected the “1+N” green financial policy system and management mechanism, formulated and issued relevant regulatory documents covering energy saving and environmental protection, new energy automobiles, photovoltaic power generation, and other green industries. The green credit management requirements were specified in the credit extension policy for key industries, and the “one-vote veto system” for environmental and social risks was strictly implemented. At the end of 2022, the balance of green loans of the Bank was RMB89.913 billion, with an increase of 98.47% from the beginning of the year, of which the balance of loans for the clean energy industry was RMB19.624 billion, with an increase of 297.92% from the beginning of the year. The growth rates of green credit and loans for the clean energy industry were higher than the growth rate of all loans of the Bank. The Bank actively carried out green debt funding programs. During the reporting period, 6 new green debt funding programs of Beijing Gold Exchange were implemented, with a total amount of RMB2 billion. The Bank actively promoted green consumption by launching GF China Southern Power Grid Co-branded Credit Cards and GF Green Low-Carbon Credit Cards. The accumulative number of credit cards issued exceeded 70,000. The balance of investment in various green bonds reached RMB6.694 billion, with an increase of 33.59% from the beginning of the year. The Bank issued structured deposit products linked to carbon-neutral ETF, new energy automobile ETF, photovoltaic ETF, and semiconductor ETF indices, and raised a total of RMB1.183 billion during the reporting period. The smart canteen system was launched to realize meal reservations and on-demand catering. The system saves the operating costs of the canteen, reduces kitchen waste emissions and natural gas consumption in the canteens, implements LED renovation projects in EMC garages and equipment rooms, and greatly saves electricity. The Bank continued to promote green and smart office, advocated systematic processing online, and added online appointment function in the usage of official seal approval system. While promoting energy-saving and emission-reducing measures for service vehicles, the Bank developed a reasonable plan for service vehicles to reduce the use of service vehicles while setting charging piles for new energy vehicles to reduce the use of fossil energy. The energy optimization

renovation was carried out in the machine room. With the automatic control of precision air-conditioning fans, the Bank reduced the energy consumption of air-conditioning equipment and improved the space utilization of the machine room.

Help employees grow and practice charitable deeds

Sticking to the “people-centered” development concept, the Bank valued the career development of employees, completed the career development guarantee system, and took charitable deeds to give back to society, so as to jointly build a beautiful and harmonious homeland. The bank ensured diversity, equal opportunities, and equal pay for the same work in terms of recruitment, training, and promotion; established a diversified cultivation system for young cadres, which innovatively setting special rotated posts to professional technical talents needed for the construction of the Greater Bay Area, the integrated development of the Yangtze River Delta, the coordinative development of Beijing, Tianjin, Hebei, and other major regional strategies of the country, so as to provide opportunities for young cadres to hone their skills at key positions and pave way for their career development. The Bank is committed to providing a sound social security system and protecting the legitimate rights and interests of employees from all aspects by offering a complete set of benefit guaranty plans including the enterprise annuity plan and commercial insurance purchased for employees. The Bank helps broaden the employment channels for university graduates, continuously carries out bank-wide summer internship programs, provides a variety of practice platforms for the employment of key groups, and earnestly fulfills its mission and responsibility as a centrally-owned financial enterprise. The Bank organized the “Digital Intelligence Cup” Digital Talent Labor Skill Contest to select and cultivate a team of compound talents through the competition. The Bank actively participated in public welfare and charitable undertakings, and further strengthened the planning, fundraising, and payment of Guangfa Hope Charity Fund. The donation made totaled RMB11.16 million throughout the year, with a year-on-year increase of 14%. Also, it paid continuous attention to the improvement of educational conditions and the healthy growth of young people in China's underdeveloped rural areas, and carried out more than 10 rural education projects in 12 provinces including Guangdong, Guangxi, and Xinjiang to help rural children grow healthily. During the reporting period, the Bank planned and carried out a series of themed activities titled “Live Well and Live Wonderfully”. Based on the operation of the Guangfa Charity Points Donation Platform, four activities were carried out on a quarterly basis, namely reading well, eating well, exercising well, and singing well. Through points donation, charitable check-ins, and other innovative approaches engaged in collaboration with Guangfa card holders, the Bank supported the growth plans for rural children in reading, nutrition, sports, and art education, thus helping them grow healthily and happily. The Points Donation Platform was attended by more than 260,000 participants and raised more than 12.6 billion points throughout the year. Guangfa Hope Charity Fund was honored as the “Jinnuo Annual Outstanding Social Responsibility Project in China's Financial Industry”, the winner of the “Annual Outstanding Public Welfare Communication Case Award” at the Brand Summit 2022 of Southern Weekly, and the winner of the “Responsible Brand Award” at the 12th Philanthropy.

List of Honors

01

Central Committee of the Communist Youth League

One-star National Youth Civilization

02

Research Association of Ideological and Political Work of China Financial Institutions

Excellent Organization Award for the Essays Competition Themed "Extraordinary Decade of Providing Finance for People"

03

World Brand Lab

China 500 Most Valuable Brands

04

China Banking and Insurance News

Annual Outstanding Social Responsibility Project in China's Financial Industry, China Financial Institution Annual Influential New Media Award

05

Southern Weekly

Annual Responsible Case, Annual Public Welfare Communication Case

06

Xinhuanet

2022 Outstanding Corporate ESG Social Responsibility Practice Case Award

07

People.com.cn

The "Digital Education & Training Fund Supervision" case was chosen by the blue paper of people.com.cn titled Create New Entities Digitally - Study Case of Digital Technologies Empowering Real Economy, becoming the only financial institution admitted in China

08

People.com.cn

Craftsmanship Brand Award

09

China.com.cn

Annual Outstanding Case of Inclusive Finance

10

The Chinese Banker

Top Ten Green Finance Innovation Award, Top Ten Transaction Banking Innovation Award, Top Ten Credit Card Finance Innovation Award

11

The Economic Observer

Greater Bay Area Sail Award

12

China Business News

Sustainable Finance Innovation Award

13

21st Century Business Herald

Outstanding Customer Service Bank of the Year, Excellent Credit Card Issuing Bank of the Year, Financial Innovation Institution in the Greater Bay Area of the Year, Wealth Management/Asset Management Innovation Service Institution, Pioneer of Financial Institutions in Digital Transformation, Excellent Corporate Citizen of the Year

19

Southern Metropolis Daily

Outstanding Financial Service Provider for New Citizens

14

Securities Times

2022 Outstanding Banking Wealth Management Team Phecda Award, Annual Gold Credit Card Phecda Award

20

Information Times

Outstanding Wealth Management Bank of the Year Award, Excellent Cross-border Financial Services Bank in the Greater Bay Area

15

China Securities Journal

Golden Bull Potential Award for Banking and Wealth Management Companies

21

China Investment Network

Greater Bay Area Special Contribution Award, ESG Green Star, Excellent Credit Card Product, Excellent Retail Bank

16

National Business Daily

ESG Financial Pioneer of the Year Award, Excellent Banking Wealth Management Brand of the Year, Excellent Credit Card Award of the Year

22

Xkb.com.cn

Top 10 Financial Service Pioneers in the Greater Bay Area, Best Financial Institution Supporting "Six Stabilities" and "Six Guarantees" of the Year, Most Recommended Credit Card by Car Owners of the Year

17

CCM World Group

2022 "Excellent Customer Service" Award of China's Best Customer Center

23

Annual Reports Archives / League of American Communications Professionals LLC

ARC Gold Winner of Cover Photo Design, LACP Platinum Award

18

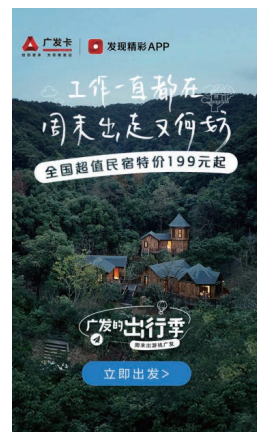
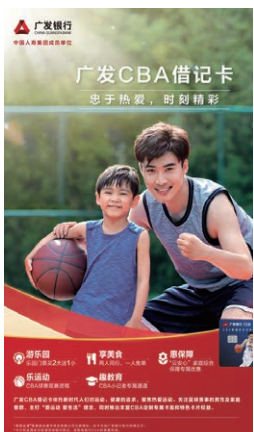
The Asset

Best Trade Financing Product, Best Bill Product Award

24

Zhilian Zhaopin

Top 30 China Best Employers, Top 10 Most Female-Focused Employers in China



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银行榜单第 **9** 位

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线上自助完成社保卡业务办理

社保卡服务
线上自助完成社保卡业务办理

补充医疗保险与社保卡申请
线上自助申请、便捷服务

热门活动/产品
参与热门活动、一键投保

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5分钟申领

就近领卡 就近激活 就近发卡
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发银行“薪未来”
企业职工代发工资管理优选方案

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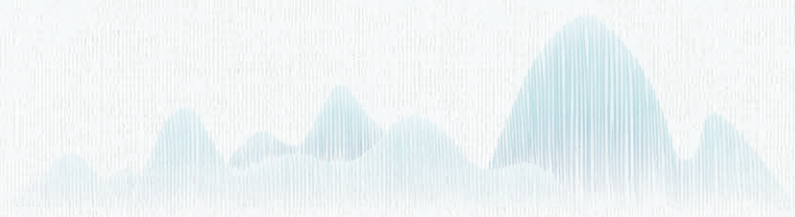
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Believing in
digital technology-
empowered development,
the Bank will discard
the old banking way and
embrace the innovative
future



The Bank will promote digital transformation and upgrade on a comprehensive scale, build the “digital GUANGFA” and “ecological GUANGFA”, and innovate business models and product services. Injecting fresh momentum through digital transformation, the Bank will find and develop “blue oceans” for business development. With such efforts, the Bank aims to create a smart bank offering optimal customer experience, better serve the real economy and meet the needs of the people. 🌸



Significant Events

Preliminary Profit Distribution Proposal

The Bank made a net profit of RMB15.528 billion in the audited 2022 financial statements. After the deduction of the dividends of RMB2.025 billion in capital bonds with no fixed term issued in 2022, the after-tax profit distributable for ordinary shareholders was RMB13.503 billion. The Bank planned to appropriate 10% of RMB1.553 billion from the after-tax profit to the statutory surplus reserve; RMB2.560 billion equivalent to 1.5% of the balance of risk assets will be appropriated to the general risk preparation reserve. A cash dividend of RMB0.78 (tax inclusive) per every 10 shares will be paid to all shareholders registered on the register as of the dividend base date, amounting to RMB1.700 billion.

The above profit distribution plan is subject to approval at the 2022 annual general meeting of the Bank.

Changes in Shareholding of Top 10 Shareholders during the reporting period

During the reporting period, the Bank completed 2,102,664,439 newly issued shares, among which China Life Insurance Company Limited, the largest shareholder of the Bank, subscribed for 918,578,836 new shares, and Jiangxi Communications Investment Group Co., Ltd., the fourth largest shareholder of the Bank, subscribed for 172,087,999 new shares, with the rank unchanged according to the proportion of shareholding; the newly introduced investor Guangzhou Urban Construction Investment Group Co., Ltd. subscribed 744,013,552 new shares, ranking the seventh largest shareholder of the Bank.

During the reporting period, the Bank's shareholder, State Grid Yingda International Holdings Co., Ltd. transferred 1,136,946,100 shares free of charge to the Ministry of Finance of the PRC. After the shareholding change, State Grid Yingda International Holdings Co., Ltd. holds 1,943,533,352 shares of the Bank, ranking the third largest shareholder of the Bank. The Ministry of Finance of the PRC holds 1,136,946,100 shares, making it the Bank's fifth largest shareholder.

By the end of 2022, the Bank's top 10 shareholders are China Life Insurance Company Limited, CITIC Trust Co., Ltd., State Grid Yingda International Holdings Co., Ltd., Jiangxi Communications Investment Group Co., Ltd., Ministry of Finance of the PRC, AVIC Investment Holding Co., Ltd., Guangzhou Urban Construction Investment Group Co., Ltd., Guangdong Utrust Investment Holdings Co., Ltd., Brilliance Auto Group Holding Co., Ltd., Jiangsu Suzhou Steel Group Co., Ltd.

Increase or Decrease of Registered Capital

During the reporting period, the Bank issued 2,102,664,439 new shares, increasing its registered capital from RMB19,687,196,272 to RMB21,789,860,711. This issue was approved by the China Banking and Insurance Regulatory Commission on 30 May 2022 (CBIRC [2022] No.365).

Acquisition or Sale of Assets, Division and Merger of Enterprises

During the reporting period, the Bank made no significant acquisition or sale of assets or division or merger.

Significant Lawsuits and Arbitrations

During the reporting period, the Bank didn't have any significant lawsuits or arbitrations.

As of the end of 2022, the Bank still has pending litigation or arbitration cases as a defendant or respondent with a principal amount of RMB11.815 billion (including RMB10.841 billion involved in the litigation arising from Huizhou Qiaoxing Risk Incident). The Bank has made the appropriated reserve for the estimated progress of the involved lawsuit cases and disputes in accordance with relevant requirements. The aforesaid events may have an impact on the Bank's financial condition or business results to a certain extent.

Significant Events Concerning Custody, Guarantees, Commitments and Entrustment of Asset Management during the reporting period

Major Custody, Contracting and Leasing

During the reporting period, there were no major events concerning custody, contracting and leasing of other companies' assets or custody, contracting and leasing of the Bank's assets by other companies apart from the asset custody business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

Material Guarantees

During the reporting period, there were no material guarantee events apart from the financial guarantee business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

Entrustment of Cash Asset Management

During the reporting period, there were no events concerning the entrustment of cash asset management.

Connected Transactions

Overview of Connected Transactions

The Bank has established an organizational structure for connected transaction management, featuring the management by the General Meeting of Shareholders, the Board of Directors, the Connected Transaction Control Committee under the Board of Directors and the senior management, the supervision by the Board of Supervisors according to laws, and division of labour and cooperation among functional departments. The General Meeting of Shareholders is responsible for reviewing and approving connected transactions subject to its approval. The Board of Directors is responsible for reviewing and approving the management system of connected transactions, reviewing and approving major connected transactions and those authorized by the General Meeting of Shareholders; and it bears the ultimate responsibility for the management of connected transactions of the Bank. The Connected Transaction Control Committee under the Board of Directors assists the Board of Directors to manage connected transactions, controls the risks of connected transactions, and puts forward specific opinions and suggestions to the Board of Directors. The Board of Supervisors is responsible for supervising the deliberation, voting and implementation of connected transactions. The senior management is responsible for guiding and

coordinating the management of connected transactions of the whole bank, and promoting the improvement of the internal control mechanism and risk management of connected transactions. When conducting connected transactions, the Bank complies with the relevant requirements of the Administrative Measures for Connected Transactions of Banking and Insurance Institutions (CBRC Order No. 1 [2022]) and the Governing Rules for Connected Transactions of China Guangfa Bank Co., Ltd.; Follows the principle of honesty and credit, open and fair, look-through identification and clear structure; In accordance with commercial principles, on terms no better than those for similar transactions with non-connected parties. Connected transactions are as follows:

1. Connected transactions of credit granting business. By the end of 2022, the credit balances between the Bank and the connected parties under the calibre of the CBIRC totalled RMB31.288 billion, of which, the balance of various loans was RMB18.124 billion, the balance of bond investment was RMB8.463 billion, the balance of investment in special purpose vehicles was RMB1.17 billion, the balance of other on-balance sheet credit was RMB550 million, the balance of irrevocable commitments and contingent liabilities was RMB622 million, and the balance of other off-balance sheet credit was RMB2.359 billion. According to article 16 of the new regulation, the business between the Bank and the connected party bank is not subject to the regulation of the relevant proportion. After deducting the credit balance of CITIC Bank of RMB18.129 billion, the credit balance of the connected party is RMB13.159 billion, accounting for 4.27% of the Bank's net capital at the end of 2022. The credit connected transactions between the Bank and major shareholders and their groups are as follows: the credit balance between the Bank and China Life Insurance Company Limited and its group is RMB5.499 billion, accounting for 1.78% of the Bank's net capital at the end of 2022. The credit balance between the Bank and CITIC Trust Co., Ltd. and its group is RMB1.366 billion, accounting for 0.44% of the Bank's net capital at the end of 2022. The credit balance between the Bank and State Grid Yingda International Holdings Co., Ltd. and its group is RMB4.495 billion, accounting for 1.46% of the Bank's net capital at the end of 2022. The credit balance between the Bank and Jiangxi Communications Investment Group Co., Ltd. and its group is RMB1.502 billion, accounting for 0.49% of the Bank's net capital at the end of 2022. The credit balance between the Bank and Jiangsu Suzhou Steel Group Co., Ltd. and its group is nil. The Bank's credit balance to a single connected party does not exceed 10% of the Bank's net capital at the end of the previous quarter, the total credit balance to the group of a single connected party does not exceed 15% of the Bank's net capital at the end of the previous quarter, and the Bank's credit balance to all related parties does not exceed 50% of the Bank's net capital at the end of the previous quarter, which meets the relevant regulatory ratio requirements.

Significant Events

2. Connected transaction of non-credit business. In 2022, the accumulative amount of non-credit connected transactions of the Bank was totally RMB222.668 billion. Business types include deposit, sale of financial management product on commission basis, insurance funds, cash bond transaction and bills rediscount. The non-credit connected transactions between the Bank and its major shareholders and their groups are as follows: The total amount of non-credit connected transactions between the Bank and China Life Insurance Company Limited and its group it belongs to is RMB25.079 billion, with the main business types including deposits, commission products, and house leasing. The total amount of non-credit connected transactions between the Bank, CITIC Trust Co., Ltd. and its group is RMB177.179 billion, among which, CITIC Bank is RMB172.747 billion, with the main business types including local and foreign currency spot business, bond trading, interbank lending, noble metals and interbank certificates of deposit. The total amount of non-credit related transactions between the Bank and State Grid Yingda International Holdings Co., Ltd. and its group is RMB764 million, with the main business types being deposits. The total amount of non-credit connected transactions between the Bank and Jiangxi Communications Investment Group Co., Ltd. and its group is RMB880 million, with the main business types being deposits. The total amount of non-credit related transactions between the Bank and Jiangsu Suzhou Steel Group Co., Ltd. and its group is nil. The pricing of non-credit connected transactions of the Bank is in line with the principles of integrity and fairness. Based on the market, the pricing for connected parties is not better than that of similar non-connected parties, and there is no harm to the Bank and shareholders' interests.

Substantial Connected Transactions

Pursuant to the Administrative Measures for Connected Transactions of Banking and Insurance Institutions (CBRC Order [2022] No. 1) and the Governing Rules for Connected Transactions of China Guangfa Bank Co., Ltd., the substantial connected transactions refer to the transactions between the Bank and a single connected party in which the amount of a single transaction reaches more than 1% of the Bank's net capital at the end of the previous quarter, or the accumulative amount reaches more than 5% of the Bank's net capital at the end of the previous quarter. After the accumulative amount of the transaction between the Bank and a single connected party reaches the above standard, the connected transaction occurring thereafter shall be re-determined as a substantial connected transaction if the accumulative amount reaches more than 1% of the net capital at the end of the previous quarter.

The Bank attaches great importance to the compliance management of substantial connected transactions, strictly implements the regulatory rules and the requirements of

the Bank's policy, and the procedures of examination, approval, disclosure and reporting of substantial connected transactions. In 2022, the Bank had a significant connected party transaction. After review and approval by the 12th meeting of the Party Committee of the Bank in 2022, the 6th meeting of the 9th Board of Directors' Connected Transaction Control/Inclusive Finance Development Committee, the 16th meeting of the 9th Board of Directors, and the 14th meeting of the 8th Board of Supervisors, the Bank entered into a contract with China Life Property & Casualty Insurance Company Limited for contractual deposit business not exceeding RMB3.7 billion. The Bank had reported to the China Banking and Insurance Regulatory Commission within 15 working days after signing the contract, and made disclosure on the official website of the Bank.

NPL Balance of Connected Transactions

As of the end of 2022, there were no NPL in regard to connected transactions.

Penalties on the Bank, its Directors and Senior Executives by Relevant Regulatory and Judiciary Authorities

In September 2022, the Bank received the "Administrative Penalty Decision Letter" (PBC [2022] No. 12) from the People's Bank of China, which gave the Bank a warning and a fine of RMB34.848 million. This administrative penalty is not expected to have a significant impact on the operation management and financial condition of the Bank.

On 1 September 2022, the State Supervision Commission of the Central Commission for Discipline Inspection notified that Wang Bin was expelled from the CPC and removed from public office for serious violations of disciplines and laws. Wang Bin served as Director and Chairman of the Bank and submitted a written resignation report to the Board of Directors with immediate effect on 21 February 2022.

Engagement and Dismissal of Accounting Firms

Subject to the resolution made in the General Meeting of Shareholders of the Bank on 29 June 2022, the Bank appointed PricewaterhouseCoopers Zhongtian LLP as the Bank's 2022 external auditor to audit the Bank and issue an audit report in accordance with the 2022 financial statements prepared in the light of the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively.

Other Significant Events

During the reporting period, there were no other significant events.

Changes in Shareholding and Shareholders' Profile

Changes in Shareholding

Unit: Share

Nature of shares	Before changes during the year	Shareholding (%)	Changes during the year increase (decrease)	After changes during the year	Shareholding (%)
Shares held by the State	53,448,906	0.271	1,137,069,818	1,190,518,724	5.464
Shares held by State-owned legal entities	18,809,787,735	95.543	800,723,403	19,610,511,138	89.998
Shares held by individuals	1,515,765	0.008	133,075	1,648,840	0.008
Shares held by other domestic investors	822,443,866	4.178	164,738,143	987,182,009	4.530
Total	19,687,196,272	100.000	2,102,664,439	21,789,860,711	100.000

Number of Shareholders and Shareholdings

As at the end of 2022, there were a total of 454 institutional shareholders and 1,293 natural-person shareholders in the Bank, holding 21,789,860,711 shares.

Pledged and Frozen Shares

At the end of 2022, there were 5 shareholders (whose shares accounted for 1.437% of the total share capital) of the Bank were involved in judicial freezing of pledged equity.

There were no pledged or frozen shares for a single shareholder holding 5% or more of the Bank's shares. Jiangsu Suzhou Steel Group Co., Ltd. with nominated/appointed supervisors in the Bank, pledged 99.997% of its shares in the Bank because of judicial freeze. It holds 1.022% of the total shares of the Bank.

Profile of Top 10 Shareholders at the end of the reporting period

Unit: share

Name of shareholders	Increase/decrease during the reporting period	Shares held	Shareholding (%)
China Life Insurance Company Limited	918,578,836	9,519,210,262	43.6864
CITIC Trust Co., Ltd.	–	3,080,479,452	14.1372
State Grid Yingda International Holdings Co., Ltd.	(1,136,946,100)	1,943,533,352	8.9194
Jiangxi Communications Investment Group Co., Ltd.	172,087,999	1,783,343,771	8.1843
Ministry of Finance of the People's Republic of China	1,136,946,100	1,136,946,100	5.2178
AVIC Investment Holding Co., Ltd.	–	762,469,249	3.4992
Guangzhou Urban Construction Investment Group Co., Ltd.	744,013,552	744,013,552	3.4145
Guangdong Utrust Investment Holdings Co., Ltd.	–	317,757,229	1.4583
Brilliance Auto Group Holding Co., Ltd.	–	223,596,793	1.0262
Jiangsu Suzhou Steel Group Co., Ltd.	–	222,777,231	1.0224
Total	1,834,680,387	19,734,126,991	90.5656

Notes: 1. "China Life Insurance Company Limited" and "AVIC Investment Holding Co., Ltd." constituted a connected relationship.

2. As at the end of the reporting period, "State Grid Shanghai Power Company", a connected party of "State Grid Yingda International Holdings Co., Ltd" held 0.099% shares in the Bank.

3. The Bank's total share capital was 21,789,860,711 shares after an incremental issuance of 2,102,664,439 new shares on 20 January 2022.

4. Save as the above, the Bank is not aware of any relationship or concerted action between the above shareholders.

Changes in Shareholding and Shareholders' Profile

Introduction of Shareholders Holding 5% or More of the Bank's Shares

China Life Insurance Company Limited

China Life Insurance Company Limited was established on 30 June 2003 in Beijing, China, according to the Company Law of the People's Republic of China and the Insurance Law of the People's Republic of China. In December 2003, China Life Insurance Company Limited was listed overseas; In January 2007, China Life Insurance Company Limited returned to domestic A-share listing. The company's registered capital is RMB28.265 billion and its legal representative is Bai Tao.

China Life Insurance Company Limited is a leading provider of individual and group life insurance, annuity products and accident and health insurance in China. Its distribution network, comprising exclusive agents, direct sales representatives, and dedicated and non-dedicated agencies of the Company is the most extensive one in China. The company is one of the largest institutional investors in China, operates as the largest insurance asset manager in China through its controlling shareholding in China Life Insurance Asset Management Co., Ltd., and also has controlling shareholding in China Life Pension Company Limited.

CITIC Trust Co., Ltd.

Established on 1 March 1988, CITIC Trust Co., Ltd. is a national non-banking financial institution focusing on trust business, under the regulation of the CBIRC. As the chairman unit of the China Trustee Association, it has the largest scale of assets under management and is one of the leading players in China's trust industry in terms of comprehensive operation strength. Its registered capital is RMB11.276 billion and its legal representative is Li Zimin, and its institutional shareholders are CITIC Corporation Limited and CITIC Industrial Investment Group Corp., Ltd.

State Grid Yingda International Holdings Co., Ltd.

State Grid Yingda International Holdings Co., Ltd. was established in December 2010, with a registered capital of RMB102.2 billion. Its legal representative is Yang Dongwei. It is a wholly-owned subsidiary and a financial asset investment management platform of State Grid Corporation, fulfilling the responsibilities of investor and business management for financial units. Under the strong leadership of the Party Committee of State Grid

Corporation, State Grid Yingda International Holdings Co., Ltd. adheres to the positioning of financial business, which is rooted in the main business, serves the industry, strengthens the industry with finance and creates value, and goes out on a road of development with the integration of industry and finance with the characteristics of State Grid. At present, State Grid Yingda International Holdings Co., Ltd. holds financial company, property insurance, life insurance, insurance broker, insurance asset management, trust, securities, futures, public fund, industrial fund, financial leasing, factoring, investment, carbon finance and other financial or quasi-financial licenses.

Jiangxi Communications Investment Group Co., Ltd.

Jiangxi Communications Investment Group Co., Ltd. was listed and established on 28 November 2009, with a registered capital of RMB9.505 billion and the legal representative of Wang Jiangjun (according to the appointment and removal documents of Jiangxi Provincial People's Government, Xie Jianfa is the chairman of Jiangxi Communications Investment Group Co., Ltd. As of the disclosure date, the registration of the change of legal representative with the industrial and commercial authority has not been completed). The group directly manages 14 wholly-owned and controlled subsidiaries (including 2 listed companies), 11 directly subordinate road-section management centers, 13 shareholding subsidiaries, with subordinate entities and employees reaching 863 and over 18,000 respectively. Its corporate credit is rated as AAA, and it has ranked among Top 500 in China's service industry for several consecutive years. It operates and manages 5,790 km expressway, accounting for 86% of the traffic mileage of the province. The business is mainly divided into four sections: transportation infrastructure investment, construction and operation, engineering construction, financial investment and roadside resources development.

Ministry of Finance of the People's Republic of China

The Ministry of Finance of the People's Republic of China was founded in October 1949. As a department of the State Council in China, it is in charge of fiscal revenue and expenditure, tax policy formulation, financial supervision and other matters. The Minister is Liu Kun. The Ministry of Finance implements the guidelines, policies, decisions and arrangements of the CPC Central Committee on financial and economic work, and upholds and strengthens the Party's centralized and unified leadership over financial work in the process of performing its duties.

Major Shareholders and their Controlling Shareholders, Actual Controllers, Connected Parties, Persons Acting in Concert, and Final Beneficiary

During the reporting period, there were no controlling shareholders or actual controllers of the Bank.

In accordance with the Interim Measures for Equity Management of Commercial Banks, during the reporting period, the major shareholders of the Bank included China Life Insurance Company Limited, CITIC Trust Co., Ltd., State Grid Yingda International Holdings Co., Ltd., Jiangxi Communications Investment Group Co., Ltd., the Ministry of Finance of the People's Republic of China and Jiangsu Suzhou Steel Group Co., Ltd. According to the information provided by shareholders above, they did not have persons acting in concert in the Bank.

The controlling shareholder of China Life Insurance Company Limited is China Life Insurance (Group) Company, the actual controller is the Ministry of Finance of the People's Republic of China, the major connected parties include China Life Insurance Asset Management Co., Ltd., China Life Pension Company Limited, China Life AMP Asset Management Co., Ltd., China Life Property & Casualty Insurance Company Limited and China Life Investment Holding Company Limited., and the final beneficiary is China Life Insurance (Group) Company.

The controlling shareholder of CITIC Trust Co., Ltd. is CITIC Limited, the actual controller is CITIC Group Corporation, the major connected parties included CITIC Limited, CITIC Juxin (Beijing) Capital Management Co., Ltd., CITIC Xinhui International Capital Co., Ltd., and the final beneficiary is CITIC Group Corporation.

The controlling shareholder of the State Grid Yingda International Holdings Co., Ltd. is State Grid Co., Ltd., the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, and major connected parties include State Grid Yingda Co., Ltd., China Power Financial Co., Ltd., Yingda Taihe Property Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Yingda Chang'an Insurance Brokerage Co., Ltd., and State Grid International Leasing Co., Ltd., and the final beneficiary is the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

The controlling shareholder, the actual controller and the final beneficiary of Jiangxi Communications Investment Group Co., Ltd. is the Department of Transportation of Jiangxi Province (With the consent of Jiangxi Provincial People's Government, Department of Transportation of Jiangxi Province plans to transfer 90% of the equity

held to Jiangxi Provincial State-owned Capital Operation Holding Group Co., Ltd. As of the disclosure date, the above matters have not completed the industrial and commercial change registration. After the completion of the industrial and commercial change registration, the controlling shareholder will be changed to Jiangxi Province State-owned Capital Operation Holding Group Co., Ltd., and the actual controller and the final beneficiary will be changed to Jiangxi Province State-owned Assets Supervision and Administration Commission), and the major connected parties include Jiangxi Highway Development Co., Ltd., Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Transportation Engineering Group Co., Ltd., Jiangxi Changxing Expressway Service Area Development and Management Co., Ltd., Jiangxi Communications Design and Research Institute Co., Ltd., Jiangxi Transportation Investment Consultancy Group Co., Ltd., Jiangxi Communications Investment Group Finance Co., Ltd., Jiangxi Expressway Asset Management Co., Ltd and Jiangxi Expressway Petrochemical Co., Ltd.

The Ministry of Finance of the People's Republic of China is a department under the State Council in charge of revenue and expenditure, taxation policy formulation and financial supervision. According to the Administrative Measures for the Connected Transactions of Banking and Insurance Institutions, the national administrative organs and government departments do not apply the supervision provisions on the management of related parties.

The controlling shareholder of Jiangsu Suzhou Steel Group Co., Ltd. is Founder Commercial Real Estate Co., Ltd., the actual controller is Ping An Insurance (Group) Company of China, Ltd., the major connected parties are New Founder Holding Development Co., Ltd., New Founder (Beijing) Enterprise Management Development Co., Ltd., Zhuhai Huanxin Founder Investment Partnership (Limited Partnership), and Ping An Life Insurance Co., Ltd., and the final beneficiary is Ping An Insurance (Group) Company of China.

As of the end of 2022, Jiangsu Suzhou Steel Group Co., Ltd. held 1.022% of the Bank's shares, and its shareholding ratio did not reach 5%. However, since Mr. Chen Jiyou, a shareholder supervisor, was dispatched to the Bank by Jiangsu Suzhou Steel Group Co., Ltd. It was managed as a major shareholder in accordance with the relevant requirements of the "Interim Measures for Equity Management of Commercial Banks" (China Banking Regulatory Commission [2018] No.1). On 7 February 2023, Mr. Chen Jiyou formally submitted his resignation letter to the Board of Supervisors of the Bank, and Jiangsu Suzhou Steel Group Co., Ltd. no longer is a substantial shareholder of the Bank after 7 February 2023.

Directors, Supervisors, Senior Executives and Staff

Directors, Supervisors and Senior Executives

Incumbent Directors, Supervisors and Senior Executives

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB0'000)
Bai Tao	Director and Chairman of the Board of Directors	Male	59	2022/05/20	–
Wang Kai	Director, Vice Chairman and President	Male	50	2021/05/17	–
Su Hengxuan	Director	Male	59	2020/09/29	–
Zhang Di	Director	Female	54	2017/04/05	–
Yang Dongwei	Director	Male	52	2021/04/02	–
Liu Lixiao	Director	Male	48	2020/06/11	–
Cai Chengwei	Director	Male	53	2016/12/15	–
Dai Jiakai	Director	Male	50	To be approved by regulatory authorities	–
Liu Xiangyang	Director	Male	44	2020/06/11	–
Chen Yachu	Independent Director	Male	67	2017/04/05	49.00
Guo Yunzhao	Independent Director	Male	56	2020/09/29	46.50
Chen Shimin	Independent Director	Male	64	2021/01/08	41.50
Zhao Xudong	Independent Director	Male	63	2020/09/29	46.50
Wang Xi	Independent Director	Male	52	2023/03/13	–
Luo Yubing	Employee Supervisor and Chairman of the Board of Supervisors	Male	53	2020/10/16 (Employee supervisor) 2020/11/16 (Chairman of the Board of Supervisors)	176.00
Li Wenjing	External supervisor	Male	43	2017/06/26	30.50
Li Weiyi	External supervisor	Male	41	2020/06/23	33.50

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB0'000)
Wu Dahao	Employee supervisor	Male	57	2017/11/17	132.16
Pan Hua	Employee supervisor	Female	49	2022/12/20	–
Zheng Xiaolong	Vice President	Male	59	2021/03/04	154.00
Chen Xiangrong	Secretary of Discipline Inspection Committee	Male	58	2018/07/11	154.00
Li Guangxin	Secretary to the Board of Directors	Male	51	2019/09/06	154.00
Lin Deming	Vice President	Male	55	2021/06/07	154.00
Fang Qi	Vice President	Male	52	To be approved by regulatory authorities	154.00
Li Xiaoshui	Vice President	Male	48	To be approved by regulatory authorities	132.00

Notes: 1. During the reporting period, Bai Tao, Wang Kai, Su Hengxuan, Zhang Di, Yang Dongwei, Liu Lixiao, Cai Chengwei, Dai Jiakai, Liu Xiangyang did not receive remuneration from the Bank.

2. During the reporting period, five directors including Bai Tao, Wang Kai, Su Hengxuan, Zhang Di and Yin Yi (who resigned due to retirement) were nominated by China Life Insurance Company Limited, two directors including Yang Dongwei and Liu Lixiao were nominated by State Grid Yingda International Holdings Co., Ltd., and two directors including Cai Chengwei and Dai Jiakai were nominated by CITIC Trust Co., Ltd., and Director Liu Xiangyang was nominated by Jiangxi Communications Investment Group Co., Ltd.

3. On 20 December 2022, the first plenary meeting of the Fourth Employee Congress of the Bank elected Ms. Pan Hua as the employee supervisor of the eighth Board of Supervisors of the Bank.

Directors, Supervisors, Senior Executives and Staff

Retired Directors, Supervisors and Senior Executives during the reporting period and as of the annual report disclosure date

Name	Title	Gender	Age	Appointment Date	Total pre-tax Remuneration paid by the Bank during the reporting period (RMB0'000)
Zhang Wei	Former CSO, Head of Organization Department of CPC Committee and General Manager of HR Department of Head Office	Male	48	2020/12/23/ – 2023/03/22 (CSO)	132.00
Chen Jiyou	Former shareholder supervisor	Male	37	2016/12/27 – 2023/02/07	31.30
Yin Yi	Former Director, Former Executive Vice President	Male	60	2016/12/15 – 2023/01/03 (Director) 2016/12/15 – 2023/03/22 (Executive vice president)	209.00
Tang Xiaoqing	Former Independent Director	Male	68	2016/12/15 – 2022/12/15	49.00
Fan Junxiong	Former employee supervisor	Male	60	2011/10/13 – 2022/10/09	96.86
Xu Hongxia	Former Vice President and President of Beijing Branch	Female	60	2018/08/22 – 2022/06/24 (Vice president)	64.17
Yang Kejing	Former External Supervisor	Male	53	2020/06/23 – 2022/03/25	10.59
Wang Bin	Former Director and Chairman of the Board of Directors	Male	63	2019/03/15 – 2022/02/21	–

- Notes: 1. On 22 March 2023, Mr. Zhang Wei resigned from the position of CSO of the Bank due to personal reasons.
2. On 7 February 2023, Mr. Chen Jiyou resigned from the position of Shareholder Supervisor of the 8th Board of Supervisors of the Bank due to work reasons.
3. On 3 January 2023, Mr. Yin Yi retired due to age and resigned from the position of Director, Member of the Risk Management Committee of the Board of Directors and Executive Vice President of the Bank. His resignation as Vice President has been considered and approved at the 25th meeting of the 9th Board of Directors on March 22, 2023, and his other duties are effective as of the date of his resignation.
4. On 15 December 2022, Mr. Tang Xiaoqing resigned from the position of Independent Director of the 9th Board of Directors and the special Committee of the Board of Directors of the Bank in accordance with regulatory regulations, as he has served as an independent director of the Bank for more than six years.
5. On 9 October 2022, Mr. Fan Junxiong retired due to age and resigned from the position of employee supervisor of the 8th Board of Supervisors of the Bank.
6. On 24 June 2022, Ms. Xu Hongxia retired due to age and resigned from the position of Vice President of the Bank.
7. On 25 March 2022, the Bank's first extraordinary general meeting of shareholders in 2022 approved Mr. Yang Kejing's resignation as the external supervisor of the 8th Board of Supervisor of the Bank.
8. During the reporting period, Wang Bin no longer received remuneration from the Bank.

Main Working Experience and Positions of Directors, Supervisors and Senior Executives



Mr. **Bai Tao**

Mr. Bai holds a PhD in Economics and is a Senior Economist.

Mr. Bai currently serves as Director and Chairman of the Bank, Secretary of the CPC Committee and Chairman of China Life Insurance (Group) Company, and Executive Director and Chairman of China Life Insurance Company Limited.

Mr. Bai served as Assistant President of Hainan Branch, Vice General Manager of Project Credit Department of the Head Office, Vice President of Jilin Branch, Vice president (in charge of work) and President of Hunan Branch, General Manager of Asset Risk Management Department of the Head Office, General manager of Risk Management Department of the Head Office, and Director of the Internal Audit Bureau of Industrial and Commercial Bank of China; Member of the CPC Committee and Vice President of China Life Insurance (Group) Company; Member of the CPC Committee, Deputy General Manager of China Investment Corporation; Deputy Secretary of the CPC Committee, Vice Chairman and President of The People's Insurance Co., (Group) of China Ltd.; Secretary of the CPC Committee and Chairman of State Development & Investment Corp., Ltd.



Mr. **Wang Kai**

Mr. Wang holds a PhD in Economics and is a Senior Economist.

Mr. Wang currently serves as the Secretary of the CPC Committee, Director, Vice Chairman and President of the Bank; Member of the CPC Committee and Vice President of China Life Insurance (Group) Company, and Director of China Southern Power Grid Co., Ltd.

Mr. Wang served as General Manager of the Capital Operations Department, Director of Financial Market Center, Secretary of the CPC Committee and President of Shanghai Branch of The Export-Import Bank of China; Member of CPC Committee and Vice President of China Life Insurance (Group) Company, Member of CPC Committee and Vice President of China Life Insurance (Group) Company and Chairman of China Life Insurance (Overseas) Company Limited.



Mr. **Su Hengxuan**

Mr. Su holds a PhD in Management and is a Senior Economist.

Mr. Su currently serves as Director of the Bank.

Mr. Su served as the Deputy General Manager of Henan Branch, General Manager of Individual Insurance Department of Head Office, General Manager of Individual Insurance Sales Department, President Assistant and Vice President of Head Office of China Life Insurance Company Limited; President of China Life Pension Company Limited; Secretary of the Party Committee, Executive Director and President of China Life Insurance Company Limited; Member of the CPC Committee and Vice President of China Life Insurance (Group) Company and Secretary of the Party Committee, Executive Director and President of China Life Insurance Company Limited; Member of the CPC Committee and Vice President of China Life Insurance (Group) Company.

Directors, Supervisors, Senior Executives and Staff



Ms. **Zhang Di**

Ms. Zhang holds a Bachelor's Degree.

Ms. Zhang currently serves as Director of the Bank, Assistant President and Chief Investment Officer of China Life Insurance Company Limited.

Ms. Zhang served as Manager of Beijing Zhongbaoxin Real Estate Development Co., Ltd.; Assistant General Manager of Investment Department of PICC Trust and Investment Company; Deputy Manager of Strategic Cooperation Division of Strategic Planning Department, Senior Manager of New Business Division and Senior Manager of Urban Business Division of Market Development Department, Senior Investment Manager (team leader) of Business Support Team, Senior Manager of Business Support Division, Senior Manager of Asset Allocation Management Division of Investment Management Department, Assistant General Manager, Deputy General Manager and Manager of Investment Management Department and Assistant President, Chief Investment Officer and General Manager of Investment Management Center in China Life Insurance Company Limited.



Mr. **Yang Dongwei**

Mr. Yang holds a PhD in Engineering and is a Senior Accountant, and an expert entitled to the special allowance from the State Council.

Mr. Yang currently serves as Director of the Bank, Deputy Chief Economist of State Grid Corporation of China, Chairman and Secretary of the CPC Committee of State Grid Yingda International Holdings Group Ltd., and Chairman and Secretary of the CPC Committee of State Grid Yingda Co., Ltd., and vice chairman of the China Association for Public Companies.

Mr. Yang worked for Sanmenxia Electric Power Bureau in July 1992, successively assuming positions such as the Chief Accountant, Deputy Director, Member of the CPC Committee and Chief Accountant of Xuchang Electric Power Bureau, Director of Multi-operation Department of State Grid Henan Electric Power, Chairman and General Manager of Henan Electric Power Industry Group Limited, General Manager and Member of the CPC Committee of Sanmenxia Power Supply Corporation, Deputy Chief Economist of State Grid Henan Electric Power; Chief Accountant and Member of the CPC Committee of Luneng Group, Chief Accountant and Member of the CPC Committee of State Grid Shanghai Electric Power, Deputy Leader of Preparation Team of Yingda Commerce Service Co., Ltd.; Executive Director, General Manager and Deputy Secretary of the CPC Committee of State Grid E-commerce Corporation, Chairman and Secretary of the CPC Committee of State Grid E-commerce Corporation (State Grid Xiongan Financial Technology Group).



Mr. **Liu Lixiao**

Mr. Liu holds an MBA Degree and is a Senior Economist.

Mr. Liu currently serves as Director of the Bank, and Manager of Banking Department of State Grid Yingda International Holdings Group Ltd.

Mr. Liu served as Senior Manager of Business Coordination Department, Senior Manager, Assistant Director, and Deputy Director of Investment Management Department, Deputy Director, Director of Banking Department, Director of Insurance Business Department of State Grid Yingda International Holdings Co., Ltd.



Mr. **Cai Chengwei**

Mr. Cai holds a Master's Degree in Law.

Mr. Cai currently serves as Director of the Bank, Deputy General Manager of CITIC Trust Co., Ltd., Director of CDB Root-Well Industrial Investment Fund Management Co., Ltd. and Chairman of New Times Trust Co., Ltd.

Mr. Cai served as a Senior Manager of Risk Compliance Department, Deputy General Manager, General Manager of Compliance Management Department, Compliance Inspector, Deputy General Manager of CITIC Trust Co., Ltd. He once served as Chairman of CITIC Jinxiu Capital Management Co., Ltd., Supervisor of China International Economic Consultants Co., Ltd., and Employee Supervisor of CITIC Trust Co., Ltd.



Mr. **Dai Jiakai**

Mr. Dai holds an MBA Degree and is a Senior Economist.

Mr. Dai currently serves as candidate Director of the Bank, Deputy General Manager of CITIC Trust Co., Ltd.

Mr. Dai served successively as Deputy General Manager of Finance Planning Department, Deputy General Manager and General Manager of R&D Planning Department, General Manager of the Trust Business Department IV, General Manager of Risk Management Department, General Manager of Investment and Credit Management Department.; CRO and CFO of CITIC Trust Co., Ltd.



Mr. **Liu Xiangyang**

Mr. Liu holds a Master's Degree in Engineering, and is a Senior Auditor and Senior Accountant.

Mr. Liu currently serves as the Director of the Bank, Party Committee Members, Director and CFO of f Guosheng Financial Holding Group Co., Ltd., Supervisor of Investment Management Department of Jiangxi Communications Investment Group Co. Ltd., and Executive Director of Jiangxi Communications Investment Private Equity Fund Management Company.

Mr. Liu served as Vice Consultant of Audit Division of Jiangxi Provincial Department of Transportation, Director of Internal Control and Audit Department, Director of Risk Control and Audit Department, Director of Financial Management Department of Jiangxi Communications Investment Group Co., Ltd.

Directors, Supervisors, Senior Executives and Staff



Mr. **Chen Yachu**

Mr. Chen holds an MBA degree and is a Senior Economist.

Mr. Chen currently serves as Independent Director of the Bank.

Mr. Chen served in the Agricultural Bank of China successively as: Director of Development and Planning Division, Director of Credit Management Division and Director of Correspondent Business Management Division, Director of Asset Risk Supervision Management Division, and Director of Credit Management Division of Shanghai Branch; Deputy General Manager of the Head Office Business Department; Vice President, Member of the CPC Committee, Deputy Secretary of the CPC Committee, Inspector (bureau level) of Shanghai Branch. Previously, he was a worker of Sanxing Agricultural Machinery Factory at Chongming County, Shanghai; and Deputy Chief of Enterprise Credit Subsection, Head and Deputy Chief of Credit Cooperation Section, Assistant President, Deputy President, Deputy Secretary of the CPC Committee and President of Shanghai Chongming County Sub-Branch of Agricultural Bank of China.



Mr. **Guo Yunzhao**

Mr. Guo holds a PhD in Management and is a Senior Engineer and an expert entitled to the special allowance from the State Council.

Mr. Guo currently serves as Independent Director of the Bank, President of GT&I Fund Management Co., Ltd. (Hainan) and Director of Woori Bank (China) Co., Ltd., Director of Yunkang Health Industry Investment Co., Ltd., Independent Director of China Insurance Investment Co., Ltd.

Mr. Guo served as the Deputy Chief Engineer and Assistant General Manager of China National BlueStar (Group) Co., Ltd., President of BlueStar Technology Academy, Senior Executive of several listed companies such as BlueStar Cleaning Co., Ltd., Xingchen Chemical New Materials Co., Ltd. and Southwest Chemical Machinery Co., Ltd., Director of Finance Department and Asset Management Department of China National Chemical Corporation, Chairman of China Jingu International Trust Co., Ltd., Deputy General Manager of China Gaoxin Investment Group Corporation, Director of CITICPE, Chairman of China Investment Trust Co., Ltd., Vice President of China Jianyin Investment Limited, Independent Director of Bank of Luoyang, and Director of Hainan Natural Rubber Industry Group Co., Ltd.



Mr. **Chen Shimin**

Mr. Chen is a Professor and a Certified Management Accountant of the United States.

Mr. Chen currently serves as Independent Director of the Bank, Professor in Accounting and Director of Case Center of China Europe International Business School, Independent Director of Advanced Micro-Fabrication Equipment Inc. China and External Supervisor of Postal Savings Bank of China.

Mr. Chen once assumed a Teacher of Shanghai University of Finance and Economics; Associate Professor and Professor in Accounting of the Clarion University of Pennsylvania; Associate Professor in Accounting of Hong Kong Lingnan University; Associate Professor in Accounting of the University of Louisiana at Lafayette; Associate Professor in Accounting and Deputy Director of School of Accounting and Finance of Hong Kong Polytechnic University.

Mr. Chen served as Independent Director of Hangzhou Shunwang Science & Technology Co., Ltd., Zhejiang Wolwo Biotech Co., Ltd., Anxin Trust Co., Ltd., and External Supervisor of SPD Bank Co., Ltd.



Mr. Zhao Xudong

Mr. Zhao is a Professor and Doctoral Tutor.

Mr. Zhao currently serves as Independent Director of the Bank, Professor, Doctoral Tutor and Director of Commercial Law Research Center of China University of Political Science and Law, President of China Commercial Law Society, Member of Academic Committee of China Law Society, Vice President of Corporate Governance Research Society, China Behaviour Law Association, and Director of iFLYTEK Co., Ltd.

Mr. Zhao served as the Deputy Director General of the Department of Civil Administrative Inspection of Supreme People's Procuratorate, and Vice President of Civil, Commercial and Economic Law School of China University of Political Science and Law. Since 1999, he was successively honored as the Outstanding Young and Middle-aged Jurist of Beijing City; Nationwide 3rd Outstanding Young and Middle-aged Jurist; Excellent Teacher of Beijing City; New Century Outstanding Talent of the Ministry of Education; he was selected into Famous Chinese Contemporary Jurist in 2005; he was included into "Rule of Law in China – Top 100 Famous Jurists with Outstanding Contributions" in 2016; he was selected as the specially appointed professor of Chang Jiang Scholars Program of the Ministry of Education in 2008; he was honored as the National Ten Thousand Talent Program-Famous Teacher in 2018.



Mr. Wang Xi

Mr. Wang is a Professor and Doctoral Tutor.

Mr. Wang currently serves as an Independent Director of the Bank, Director of the China Institute of Transition and Open Economy of Sun Yat-sen University, one of hundred economic research experts of the Monetary Policy Committee of the People's Bank of China, one of hundred economists of the Economic Prosperity Center of the National Bureau of Statistics, Deputy Secretary-General and Executive Director of the China Society of World Economics, Editorial Board Member of World Economy Magazine, an Independent Director of Guangzhou Yuexiu Capital Holding Group Co., Ltd., an Independent director of Pan-China Financial Services Group Co., Ltd., Independent Director of Tomson Bijian Co., Ltd., and an External Director of Guangzhou Public Transport Group Co., Ltd.

Mr. Wang served as the Deputy Director of the Department of Finance of Lingnan College of Sun Yat-sen University, the financial consultant of the Standing Committee of Guangdong Provincial People's Congress, the Deputy Secretary General. He was evaluated as an Outstanding Talent in the New Century by the Ministry of Education, a Distinguished Professor of Pearl River Scholar in Guangdong Province, and a leading talent in publicity and ideological work of "Guangdong Special Support Program".



Mr. Luo Yubing

Mr. Luo holds a PhD in Economics and is an Economist.

Mr. Luo currently serves as Deputy Secretary of the CPC Committee of the Bank, Employee Supervisor and Chairman of the Board of Supervisors.

Mr. Luo joined the People's Bank of China in August 1991, and consecutively served as Vice Director of General Office, Deputy Secretary of the CPC Committee and Vice President of Wuhan Branch, Secretary of the CPC Committee and President of Lanzhou Central Sub-branch of the People's Bank of China and Director of Gansu Branch of State Administration of Foreign Exchange concurrently, Secretary of the CPC Committee and Director of Anti-money Laundering Monitoring Center, Secretary of the CPC Committee and Director of Credit Reference Center of the People's Bank of China, Deputy Secretary of the CPC Committee and Vice President of CGB.

Directors, Supervisors, Senior Executives and Staff



Mr. Li Wenjing

Mr. Li holds a PhD in management and is a Professor of Accounting and Doctoral Tutor.

Mr. Li currently serves as an External Supervisor of the Bank. He is also Dean of Management School of Jinan University, Director of the Financial Cost Branch of China Accounting Society, Member of Professional Committee of Foreign Exchange of China Accounting Society, Correspondence Review Expert of National Natural Science Foundation of China, independent director of GF Securities Co., Ltd.

Mr. Li served as an Independent Director of Midea Group, Guangzhou Devotion Thermal Technology Co., Ltd., Byhealth Co., Ltd., Guangzhou Longse Technology Co., Ltd., Shenzhen Xunfang Technology Co., Ltd. and Zhuhai Huajin Capital Co., Ltd.; Lecturer, Associate Professor and Dean of Accounting Department of Management School of Jinan University, during which, he ever worked as Postdoctoral Researcher at CEIBS.



Mr. Li Weiyi

Mr. Li holds a PhD in Civil and Commercial Law.

Mr. Li currently serves as an External Supervisor of the Bank and General Manager of the Legal Affairs Department of North China Region of R&F Group, and Arbitrator of China International Economic and Trade Arbitration Commission.

Mr. Li served as the Clerk and Judge of Beijing No.1 Intermediate People's Court, Judge of Beijing High People's Court, Senior Prosecutor, Leader Secretary and Deputy Division Head of the General Office of the Supreme People's Procuratorate.



Mr. Wu Dahao

Mr. Wu holds an MBA Degree and is an Economist.

Mr. Wu currently serves as an Employee Supervisor, General Manager of Security Department of the Bank.

Mr. Wu served successively as member of Organization Department of Former Sub-district Party Committee in Shantou City, Assistant Manager of Personnel Department of Shantou Branch of China Guangfa Bank, Vice President of Chenghai Sub-branch of China Guangfa Bank, Vice President (in charge) of Chaozhou Branch of China Guangfa Bank, Member of the CPC Committee and Vice President, Secretary of the CPC Committee and President of Shantou Branch of China Guangfa Bank, Secretary of the CPC Committee and President of Jiangmen Branch of China Guangfa Bank, and Director of Discipline Inspection Committee Office of the Bank, Deputy Secretary of Discipline Inspection Committee of the Bank.



Ms. **Pan Hua**

Ms. Pan holds a Master's Degree in Management and is an Economist.

Ms. Pan serves as an Employee Supervisor, Member and Vice Chairman of the Trade Union Committee, Trade Union Standing Committee of the Bank and Vice Director of the Party and People Work Department (Party Committee)/ Rural Revitalization Office/Trade Union Work Department of the Head Office (temporary person in charge).

Ms. Pan served as Deputy Manager (in charge of the work), supervisor (in charge of the office), senior manager of the System Executive Department of the Human Resources Department of the Head Office of Guangfa Bank, the general manager of the Training center of the Human Resources Department of the Head Office, the deputy director of the Organization Department of the Party Committee of the Head Office, the Deputy general manager of the Human Resources Department and the general manager of the Training Center, and the Deputy Director of the Office of the School Administration Committee of the Party School of Guangfa Bank (the Research and Training Institute of Guangfa Bank).



Mr. **Zheng Xiaolong**

Mr. Zheng holds a Master's Degree in Economics.

Mr. Zheng currently serves as Member of the CPC Committee and Vice President of the Bank.

Mr. Zheng worked as a teacher in Electronic Industry Management Cadre College and served in Everbright International Leasing Co., Ltd. In 1996, he participated in China Guangfa Bank's acquisition of Zhong Yin Trust & Investment Co., Ltd. He served successively as Vice President in charge of Huizhou Branch of China Guangfa Bank; General Manager of the Planning and Management Department and the Head of Restructuring and Development Office of China Guangfa Bank; Secretary to the Board of Directors of China Guangfa Bank; Member of the CPC Committee and Chief Auditor of China Guangfa Bank.



Mr. **Chen Xiangrong**

Mr. Chen holds an MBA Degree and is a Senior Economist.

Mr. Chen currently serves as Member of the CPC Committee and Secretary of Discipline Inspection Committee of the Bank.

Mr. Chen served successively as Deputy Manager and Manager of Guangdong Xinhui County Sub-branch of China Life Insurance Company Limited; Secretary of Discipline Inspection Committee, Deputy General Manager in charge and General Manager of Guangdong Jiangmen branch of China Life Insurance Company Limited; Member of the CPC Committee of Guangdong Branch and General Manager of Guangzhou Branch of China Life Insurance Company Limited; Member of the CPC Committee and Deputy General Manager of Guangdong Branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Hunan Branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Guangdong Branch of China Life Insurance Company Limited; Business Director of China Life Insurance Company Limited, Secretary of the CPC Committee and General Manager of Guangdong Branch of China Life Insurance Company Limited.

Directors, Supervisors, Senior Executives and Staff



Mr. **Li Guangxin**

Mr. Li holds a PhD in Economics and is an Economist.

Mr. Li currently serves as Member of the CPC Committee and Secretary to the Board of Directors of the Bank.

Mr. Li served in Bank of Communications successively as: Deputy Director in charge of Planning Division of Lianyungang Branch, President of Haizhou Central Sub-branch, Deputy Director in charge of Planning and Finance Division of Jiangsu Branch, Deputy General Manager in charge of International Business Department, Member of the CPC Committee and Vice President of Guangxi Zhuang Autonomous Region Branch, Secretary of the CPC Committee and President of Xiamen Branch, General Manager of Ho Chi Minh City Branch. He served in Huaxia Bank successively as: Secretary of the CPC Committee and President of Shanghai Branch, General Manager of Strategic Development Department of Head Office. He serves as Member of the CPC Committee, the Secretary of the Board of Directors and the General Manager of the Office of the Board of Directors of China Guangfa Bank.



Mr. **Lin Deming**

Mr. Lin holds a Master's Degree in Finance.

Mr. Lin currently serves as Member of CPC Committee and the Vice President of the Bank.

Mr. Lin served in China Guangfa Bank successively as: Deputy Director and Director of Guangzhou Economic & Technological Development District Office, Deputy General Manager of Domestic Business Department of the Head Office, Secretary of the CPC Committee and President of Shaoguan Branch, General Manager of Business Department of the Head Office, General Manager of Credit Card Center, Secretary of the CPC Committee and General Manager of Credit Card Center, Assistant President of the Head Office, Secretary of the CPC Committee and General Manager of Credit Card Center.



Mr. **Fang Qi**

Mr. Fang holds a Master's Degree in Finance.

Mr. Fang currently serves as Member of the CPC Committee and the Vice President (proposed) of the Bank.

Mr. Fang served successively as Officer of Technology Division, Finance and Accounting Division of Xi'an Branch of ICBC, Deputy Director of Technology Support Division of Business Department and Deputy Director of Electronic Computing Center, Deputy General Manager of E-Banking Center and Deputy General Manager in charge of Accounting Management Center of Business Department of Shaanxi Branch of ICBC; Head of IT Department of Xi'an Branch of Huaxia Bank; Manager of Technology Department, Preparation Team Leader of E-Banking Department, General Manager of E-Banking Department, Preparation Team Leader of Xi'an Branch, Secretary of the CPC Committee and President of Xi'an Branch of China Guangfa Bank, Secretary of the CPC Committee and President of Shenzhen Branch of China Guangfa Bank, Assistant President of the Head Office.



Mr. **Li Xiaoshui**

Mr. Li holds a Master's Degree in Finance and is an Economist.

Mr. Li currently serves member of the Party Committee and Vice President (proposed) of the Bank.

Mr. Li successively served as a Teacher of Guangdong University of Finance, Deputy Manager of China Guangfa Bank Guangzhou Branch Tianhe Sub-branch, Deputy Manager of General Office of Guangzhou Branch, employee of the Human Resource Department of Head Office, Deputy Manager of Head Office General Office Dept., Manager of the Credit Review Department of Head Office, Member of the Party Committee and Vice President of Changsha Branch, Secretary of the CPC Committee and President of Foshan Branch, President of Zhongshan Branch, Director of the CPC Committee Office of Head Office, Head of the Publicity Department of the CPC Committee, General Manager of the Office and President Assistant.

Directors, Supervisors, Senior Executives and Staff

Shareholdings of Directors, Supervisors and Senior Executives

During the reporting period, the Directors, Supervisors and Senior Executives of the Bank didn't hold any shares in the Bank.

Annual Remuneration and Incentives of Directors, Supervisors and Senior Executives

Executive directors and employee supervisors who hold senior management positions in the Bank receive remuneration according to their positions in the Bank, and do not receive additional allowances, conference fees and subsidies.

The non-executive equity directors of the Bank do not receive remuneration from the Bank.

The remuneration of Independent Directors and Non-employee Supervisors of the Bank is verified and paid respectively in accordance with the Allowance System for Independent Directors of China Guangfa Bank Co., Ltd. and the Allowance System for Non-employee Supervisors of China Guangfa Bank Co., Ltd. The specific standards are as follows:

The allowance of the Bank's Independent Directors and Non-employee Supervisors comprises four parts, i.e. basic allowance, specialized committee allowance, conference fee and research subsidy: (1) basic allowance refers to the basic remuneration paid to Non-executive Directors and Non-employee Supervisors for their participation in the Board of Directors and the Board of Supervisors. The basic allowance for director is RMB200,000/person/year and that for supervisor is RMB160,000/person/year; (2) specialized committee allowance refers to the duty allowance paid to Independent Directors and Non-employee Supervisors for their participation in specialized committees. The committee allowance for ordinary member of the Board of Directors is RMB35,000/person/year and that for principal member is RMB50,000/person/year; the committee allowance for ordinary member of the Board of Supervisors is RMB28,000/person/year and that for principal member is RMB40,000/person/year. Committee allowances payable to Independent Directors and Non-employee Supervisors who participate in various committees are paid based on the cumulative number of committees that they are working in; (3) conference fee is a subsidy for any Independent Directors or Non-employee Supervisor to participate in or attend any general meetings, and on-site meetings of the Board of Directors, the Board of Supervisors, and their specialized committees (including teleconferences and video conferences) and the standard rate is RMB5,000/person/time; (4) research subsidy is a subsidy for Independent Directors and Non-employee Supervisors to participate in work inspections, research, training sessions and activities related to the performance of duties as organized by the Bank and relevant organizations, and the standard rate is RMB5,000/person/time.

Pursuant to the Administrative Measures for Senior Executives' Performance Appraisal of China Guangfa Bank Co., Ltd., the senior executives' performance appraisal will take into consideration the operation objective of the Bank, their duty performance in business management, risk management and internal control of their charge, and so on. Appraisal results serve as a key basis for the allocation of remuneration for Senior Executives. Currently, the performance appraisal results and final remuneration are under confirmation. After approval upon consideration by the Nomination & Remuneration Committee of the Board of Directors, the performance appraisal results and final remuneration shall be submitted to the Board of Directors for approval. The payment of 50% of performance-related remuneration to Senior Executives will be deferred according to relevant regulatory requirements.

The remuneration received by members of the Bank's Nomination and Remuneration Committee under the Board of Directors during the reporting period is set out in "Directors, Supervisors and Senior Executives". Mr. Guo Yunzhao was the principal member of the Nomination & Remuneration Committee under the Board of Directors, and other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai (proposed), Mr. Chen Shimin and Mr. Zhao Xudong.

The Bank has taken out liability insurance for Directors, Supervisors and Senior Executives.

No incentive options have been granted to Directors, Supervisors and Senior Executives by the Bank.

Changes in Directors, Supervisors and Senior Executives

Directors

On 20 May 2022, CBIRC approved the qualification of Mr. Bai Tao as Director and Chairman of the Board of Directors of the Bank.

On 15 December 2022 Mr. Tang Xiaoqing resigned from the position of Independent Director, Chairing Member of Risk Management Committee, Member of Nomination & Remuneration Committee, and Member of Connected Transaction Control/Inclusive Finance Development Committee of the Bank due to servicing for six years.

On 23 November 2022, the nomination of Mr. Wang Xi as a candidate of Independent Director for the 9th Board of Directors of the Bank was considered and approved at the 22nd meeting of the 9th Board of Directors of the Bank. On 28 December 2022, Mr. Wang Xi was elected as Independent Director of the Bank by the 3rd Extraordinary General Meeting of Shareholders in 2022 of the Bank, and his qualifications have been approved by regulatory authorities on 13 March 2023.

On 3 January 2023, Mr. Yin Yi resigned from the position of Director of the Bank and Member of the Risk Management Committee of the Board of Directors.

Supervisors

On 25 March 2022, the 1st Extraordinary General Meeting of Shareholders in 2022 approved Mr. Yang Kejing’s resignation from the External Supervisor of the eighth Board of Supervisors.

On 9 October 2022, Mr. Fan Junxiong resigned from the position of Employee Supervisor of the 8th Board of Supervisors of the Bank due to his retirement.

On 20 December 2022, Ms. Panhua was elected as Employee Supervisor of the 8th Board of Supervisors of the Bank at the 1st Plenary Meeting of the 4th Employee Representative Congress of the Bank.

On 7 February 2023, Mr. Chen Jiyou resigned from the position of Shareholder Supervisor of the 8th Board of Supervisors of the Bank due to work-related reasons.

Senior Executives

On 24 June 2022, the 19th meeting of the 9th Board of Directors of the Bank considered and approved the

resignation of Ms. Xu Hongxia as Vice President of the Bank.

On 22 March 2023, the 25th meeting of the 9th Board of Directors of the Bank considered and approved the resignation of Mr. Yin Yi as Executive Vice President of the Bank.

On 22 March 2023, the 25th meeting of the 9th Board of Directors of the Bank considered and approved the appointment of Mr. Li Xiaoshui as Vice President of the Bank and the person responsible for risk.

On 22 March 2023, the 25th meeting of the 9th Board of Directors of the Bank considered and approved the resignation of Mr. Zhang Wei as CSO of the Bank.

Employees

At the end of 2022, the number of contract employees of the Bank (including Credit Card Center) was 37,716, representing an increase of 85 employees over the beginning of the year. Employees with doctoral or master degrees accounted for 14.06%, those with bachelor’s degree 73.00%, junior college degree 11.56% and employees with other educational qualifications 1.38%. Employees aged 35 or below accounted for 53.07%, those aged between 36 and 45 accounted for 35.05% and those aged 46 or above accounted for 11.88%.

Employee Composition by Education Background



- Bachelor 73.00%
- Doctor or Master 14.06%
- Junior college 11.56%
- Others 1.38%

Employee Composition by Age



- Below age 35 53.07%
- Age 36-45 35.05%
- Above age 46 11.88%

Corporate Governance

Description and Overall Evaluation of Corporate Governance

Description of Corporate Governance

During the reporting period, the Bank strictly abided by laws and regulations, implemented the decisions and arrangements made by the Party Central Committee and the requirements of financial regulatory policies, deeply comprehended the spirit of the Three-Year Action Plan for Improving Corporate Governance in the Banking and Insurance Industry (2020-2022), and fully complied with the requirements of the Corporate Governance Guidelines for Banking and Insurance Institutions. The Bank also formulated and issued the special plan of corporate governance for the “14th Five-year Plan”, established a sound corporate governance system, improved the level of corporate governance, achieved the main goals of sound corporate governance, improved the reasonable and complete corporate governance structure as well as the conforming and efficient corporate governance operation mechanism, enhanced the long-term mechanism of capital replenishment, better modernize the corporate governance system and governance capabilities for the Bank, and strived to become a rapidly-growing modern state-owned financial enterprise with Chinese characteristics.

Deepen the organic integration of the Party’s leadership and corporate governance, and stay firm on the path of financial development with Chinese characteristics

During the reporting period, the Bank insisted on implementing the principle of “insisting on CPC leadership in SOEs and insisting on reforming SOEs towards the modern enterprise system”, earnestly implemented the Opinions on Strengthening the Party’s Leadership in Improving Corporate Governance for Centrally-owned Enterprises, actively followed the central requirements for accelerating the construction of a modern enterprise system with Chinese characters as well as the organic integration of the Party’s leadership and corporate governance, regularly inspected related results, and carried out evaluation and optimization from the perspective of responsibility boundaries, leadership systems, cadre management, party committee pre-research, information communication, and work synergy, so as to further promote quality and efficiency. In the practice of system construction and governance, the Bank protected the legitimate status of the party organization in corporate governance and clarified the responsibilities and authorities of “four boards and one executive” (Party Committee, Board of Directors, Board of Supervisors, Workers Congress, and the senior executives). The Party Committee established and dynamically optimized the list of “decisions on important issues, appointment and dismissal of important officers, arrangements on important projects, use of funds in large amount” issues. Opinions of the Party Committee shall be sought first for major issues to ensure the steering role

of the Party Committee in navigation, coordination, and implementation. The Bank optimized the decision-making mechanism for the organic integration of the Party’s leadership and corporate governance. As for major issues, the Party Committee will study them in advance and give directional opinions before submitting them to the Board of Directors and the Board of Supervisors for review. Issued resolved at corporate governance meetings are sent to the Party Committee in a timely manner to strengthen the ability of various governance entities in co Party Central Committee’s decisions and arrangements, and effectively improve the institutionalization, process-based management, and standardization of the organic integration of the Party’s leadership and corporate governance.

Improve the corporate governance system and consolidate the institutional cornerstone for the conforming and efficient operation of corporate governance

During the reporting period, the Bank attached great importance to the construction of the corporate governance system, carried out a gap analysis against laws and regulations, regulatory policies, and listed peers to promote the comprehensive review and optimization of corporate governance planning and corporate governance systems. The Bank developed the special plan of corporate governance for the “14th Five-year Plan” and systematically summarized and reviewed corporate governance during the “13th Five-Year Plan” period. Considering the research and judgment of the corporate governance situation during the “14th Five-Year Plan” period, the Bank proposed 18 key measures in five areas, including the organic integration of the Party’s leadership and corporate governance, the improvement of policy architecture, the optimization of the governance structure, the completion of the compliance system, and the digitalization of the Bank, thus forming a guideline for modernizing the corporate governance system and governance capabilities of the Bank. While fully comprehending new regulations and aligning itself with good governance norms, the Bank systematically and comprehensively sorted out and formulated the revised Articles of Association based on the concept of “reshaping the concept, rewriting the policy, streamlining the process”. Also, it simultaneously revised the rules of procedure for the General Meeting of Shareholders, the Board of directors and its special committees, the Board of Supervisors and its special committees; revised the working system of independent directors, the management measures for information disclosure, the implementation measures for the qualifications and selection procedures of directors and executives; formulated equity management measures, investor relationship management measures, major shareholder commitment management measures, and the code of professional ethics for directors, supervisors and senior managers. The Bank established and improved a sound and systematic corporate governance system that is compliant and applicable, and provided a sound institutional guarantee for the compliant and efficient operation of the corporate governance mechanism.

Improve the corporate governance system and promote the sustaining, standardized and efficient operation of corporate governance

During the reporting period, the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the senior management of the Bank performed their duties and operated in an orderly manner. In 2022, the Bank convened 4 general meetings of shareholders to review and report 19 issues; 10 meetings of the Board of Directors to review 119 issues, covering corporate governance, strategic planning, capital management, profit distribution, financial budget, risk management, performance appraisal, personnel remuneration, related party transactions, information disclosure, etc., fully exerting the function of the Board of directors in decision-making; 10 meetings of the Board of Supervisors to review 98 issues, covering 7 statutory sectors, i.e. finance, risk, internal control, internal audit, strategy, remuneration, performance of duties as well as the implementation of the decisions and arrangements made by the Party Central Committee. The Board of Supervisors further expanded the supervision, and continuously deepened the supervision scope of the Board. It also improved the routine management mechanism for board issues, strengthened source control, overall planning, and orderly implementation of issues, and enhanced the compliance, timeliness, and comprehensiveness of issue submissions. To allow special committees to play a better role in assisting the decision-making and supervision by the Board of Directors and the Board of Supervisors, in 2022, the Bank convened 33 special committee meetings of the Board of Directors to review 100 issues; 8 special committee meetings of the Board of Supervisors to review 13 issues. Special committees organized full discussions and raised many constructive suggestions to the Board of Directors and the Board of Supervisors. The Bank smoothed the mechanism for the transmission and implementation of resolutions reached at corporate governance meetings, regularly tracked and reported the execution of decisions made by the General Meeting of Shareholders, the meeting of the Board of Directors, and the meeting of the Board of Supervisors, and strengthened the closed-loop management of corporate governance; improved the compliance performance assessment mechanism of corporate governance, and consolidated corporate governance responsibilities in seven aspects including proposal submission, implementation of resolutions and opinions, construction of compliance performance, corporate governance assessment, notification of regulatory opinions, information disclosure, and performance evaluation.

Strengthen the role of the Board of Directors in reasonable decision-making and strategic leadership

During the reporting period, the Board of Directors of the Bank adhered to the perspectiveness, systematicness and scientificity of strategic leadership, and effectively played the role of strategic leadership and reasonable decision-making on the operation and management of the Bank. The Board of Directors of the Bank reviewed and approved special plans for the “14th Five-Year Plan” covering risk management, financial technologies, consumer rights protection, and customer service. The Bank established a strategic planning system covering retail, corporate, financial market, credit cards, and directly-managed branches, which is centered on the overall planning and guaranteed by the implementation scheme. The Board of Directors deliberated the “Annual Evaluation Report on the Implementation of the 14th Five-Year Plan, and guided the Bank to focus on the implementation of the strategy. The Bank integrated high-quality development into major national development strategies, supported the coordinated regional development, and strengthened the distribution of resources for regions such as Beijing-Tianjin-Hebei, the Yellow River Basin, the Yangtze River Economic Belt, and the central China; took active part in the new development landscape to accurately and strongly serve the real economy, increased the resource investment in high-end technologies, digital industries, and other strategic emerging sectors with the focus on promoting the accelerated development of the green finance business; fulfilled social responsibilities, supported people’s livelihood, and shouldered the mission of developing inclusive finance and offering financial support for rural revitalization. Also, the Bank took its responsibility for building a financial defense line. Focusing on the new development trend, the Bank put its emphasis on strengthening its coordinated management and comprehensive capability for medium – and-large-size corporate customers, integrated its retail function by following the trend of systematism, totalization, and digitalization, consolidated intensive operation featuring a large middle office, highlighted operation concentricity, optimized the organizational structure, and promoted transformation and development. Better highlighting digital transformation, the Bank strengthened its digital thinking and capability to promote the deep combination of technologies and business. Also, it highlighted online and offline collaboration, platform interoperability, and data sharing to build embedded and pervasive products and services, thus increasing its ability to reach customers around the clock.

Corporate Governance

Strengthen capital management, related party transaction control, and management and supervision of operation in key areas

During the reporting period, the Board of Directors of the Bank deliberated and studied the internal capital adequacy assessment report, coordinated and determined the capital adequacy ratio management objectives for the next three years to enhance the ability to resist major risks; made dynamic adjustments to capital adequacy ratio management objectives according to changes in the macroeconomic and financial situation, regulatory policies, and standards to ensure that capital planning matches operating conditions, risk changes, and long-term development strategies; continued to implement the concept of capital conservation, formulated reasonable asset-liability plans, vigorously developed businesses with “light capital and light asset”, and continued to increase the income from fee-based business. The Board of Directors of the Bank seriously deliberated proposals on major related party transactions, group credit lines to major shareholders, annual related party transaction reports, etc., regularly reviewed semi-annual and annual reports on the filing of general related party transactions, urged the management to tighten the credit line approval process, strengthen the risk control on the initiator of related party transactions, and ensure the compliance, fairness and necessity of related party transactions. The Bank convened the assessment and evaluation meeting of the Audit Committee of the Board of Directors for departments on the audit line, guided the management and strengthened the role of assessment guidance to rationally allocate audit resources, establish a long-term audit rectification mechanism, and improve the efficiency of utilizing audit results to give full play to the synergistic effect of audit. The Board of Directors strengthened the refined guidance on operation and management, promoted the establishment of a value-oriented operation assessment system centered on economic added value, and guided the establishment of a market-oriented and differentiated performance assessment indicator system.

Focus on preventing and mitigating major risks, and improve risk management capabilities as well as internal control and compliance levels

During the reporting period, the Board of Directors of the Bank actively assumed the ultimate responsibility for comprehensive risk management, and attached great importance to strengthening the supervision and evaluation of comprehensive risk management. While adhering to systematic thinking and strengthening the global planning of risk management, the Board of Directors reviewed the special risk management plan and the annual comprehensive risk management report, guided the management to make better judgments of the economic and financial situation, provided a sound risk analysis for digital trends and new business models, and promoted the sound process management of risks, thus completing a centralized, united, and mutually restrictive comprehensive risk management system. The Board of Directors insisted on highlighting key points and strengthening risk management in specific areas. As for country risk management, it dynamically assessed the risks of offshore bonds and continued to be updated with the changes in the rating given by international rating agencies. As for market risk management, it emphasized the mechanism for the identification and monitoring of interest rate and exchange rate changes. As for the risk management of interest rates on banking book, it paid more attention to the cause of the narrowing of net interest margin. As for reputation risk management, it promoted the improvement of the negative news risk reporting mechanism. While adhering to compliance as the top priority and strengthening the basic capacity building in terms of internal control and compliance, the Board of Directors reviewed the self-evaluation reports on money laundering and terrorist financing risk, strengthened the characteristics analysis for money laundering and terrorist financing risks, and paid more emphasis on terrorist financing risks. The Board of Directors reviewed the report on compliance risks, internal control, and case prevention, facilitated the management to improve the internal control and self-correction mechanism; heard the annual reports on employee behavior assessment, business continuity management, and other topics, revised the basic regulations on business continuity, better regarded targeted violation prevention as an important part, and completed the underlying case risk prevention mechanism.

Strengthen shareholder governance and equity management, and improve investor relationship maintenance

During the reporting period, the Bank continued to deepen equity management and investor relationship maintenance, cared about investors' needs, and provided timely responses, thus continuously improving the compliance and effectiveness of information disclosure. While efficiently promoting major equity changes, the Bank became a joint-stock bank directly held by the Ministry of Finance, which further embodies its advantage of state ownership. The additional issuance of shares came to a successful end, which improved the capital adequacy of the Bank. The Bank formulated the annual profit distribution plan and the implementation plan of 2021, and efficiently complete the dividend distribution of 2021; organized shareholders to study the Handbook of Shareholders' Rights and Obligations in Commercial Banks, assessed major shareholders and established files for them, which further boosted the prudent operation and steady development of the Bank. By holding investor exchange seminars, investor communication meetings, research councils, visiting shareholders and investors, and many other activities, the Bank maintained close investor relations. The Bank disclosed information in a standardized and active manner, further improved the information disclosure mechanism and process, and conscientiously fulfilled its statutory disclosure obligations. It also actively responded to the demands of investors and the public in light of the actual operation and management, and timely disclosed its operation and management, financial rating, regulatory capital, dividend, corporate governance, and other information, with more than 40 announcements published throughout the year, thus continuously improving the transparency of operation and management.

Strengthen the corporate governance performance capability and improve the operational efficiency of corporate governance

During the reporting period, the Bank provided efficient, professional and comprehensive support for directors and supervisors to perform their duties while continuously promoting the capabilities of directors and supervisors in this regard. It promoted the optimization of the corporate governance structure in compliance with laws and regulations, completed the by-election of directors and independent directors in a timely manner, and secured the orderly operation of the Board of Directors; standardized the resignation procedure of external supervisors and employee supervisors while optimizing and adjusting the membership structure of special committees of the Board of Supervisors; strengthened the service support for directors and supervisors to perform their duties,

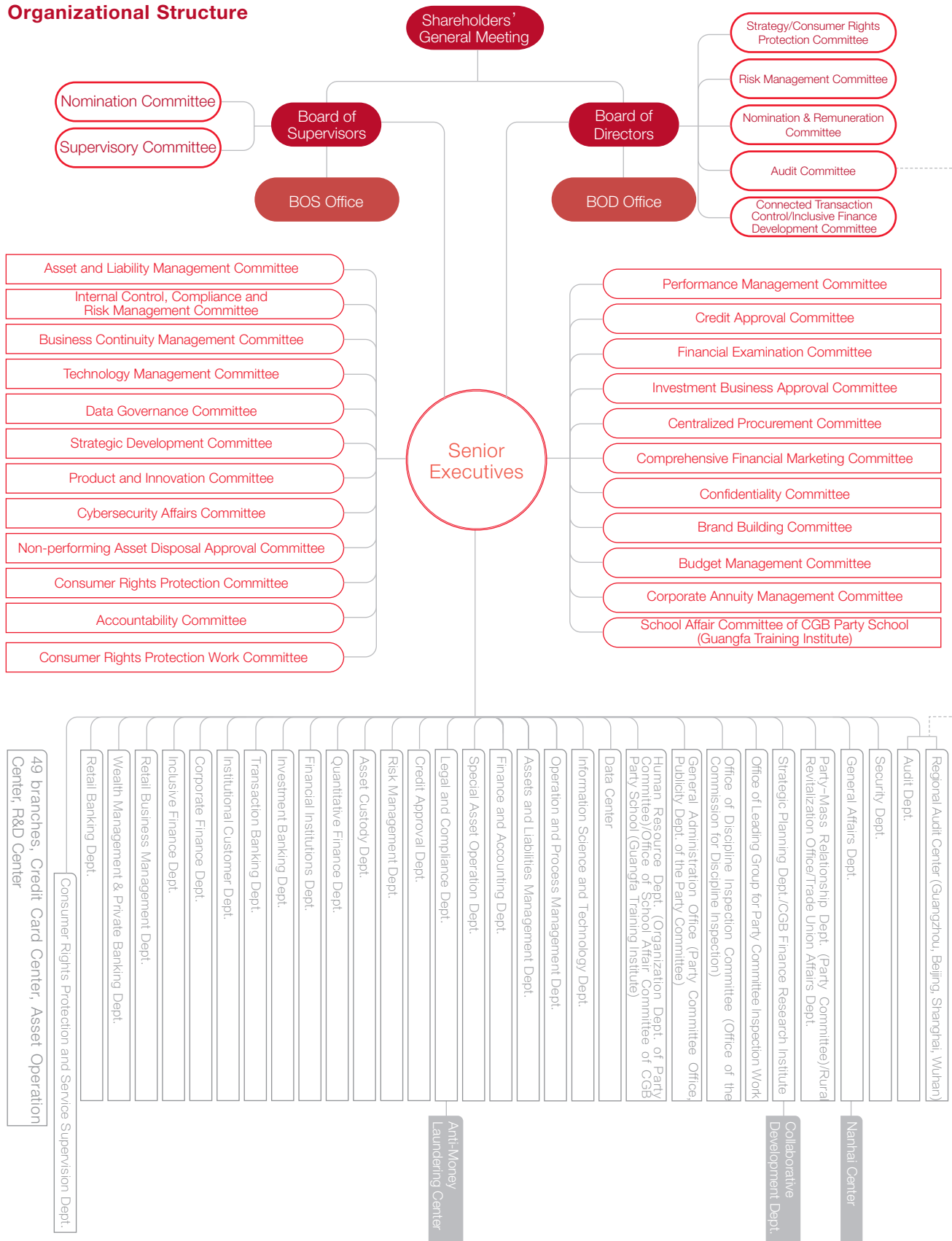
timely submitted more than 80 documents and reports to directors and supervisors, including new regulatory regulations and interpretation documents, business management briefings, industry research reports, quarterly publications on anti-money laundering, equity pledges, and the execution of resolutions made by the Board of Directors and the Board of Supervisors, so as to ensure that directors and supervisors were updated with the latest business management trends and obtained information required for the performance of their duties. Actions were taken to organize directors and supervisors to attend special training sessions on equity management and related party transaction management, International Sanctions Risks and Compliance, and management methods for expected credit loss, so as to improve their performance expertise. Focusing on financial supervision, evaluation, and rectification, the Board of Directors and the Board of Supervisors jointly carried out special surveys on consumer protection, formed special investigation reports, and urged the senior management to study the reports and take measures, thus generating greater value from the survey. A duty performance file was established for each director or supervisor to provide a solid foundation for their performance evaluation.

Overall Assessment

During the reporting period, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank adhered to the general principle of pursuing progress while ensuring stability. The Bank focused on upgrading the modernization of corporate governance system and capacity, boosted the continuous integration of strengthening CPC leadership and improving corporate governance, and thoroughly implemented the decision-making arrangements of the CPC Central Committee in all aspects. To achieve this, the Board of Directors fully played a strategic leading role, the Board of Supervisors constantly optimized and improved the quality and efficiency of supervision, and senior executives enhanced the strategy implementation and operational management. The Bank effectively consolidated the foundation of overall risk management, actively strengthened capital management, and improved the equity management and shareholder governance. We proactively maintained investor relations and improved a compliant and sound corporate governance system to ensure efficient operation of the corporate governance mechanism. The Board of Directors, the Board of Supervisors and senior executives constantly strengthened their capacity to perform their duties and made great progress in improving and enhancing corporate governance, thus the standardization, professionalism and effectiveness of corporate governance have been improved.

Corporate Governance

Organizational Structure



Information of Shareholders' General Meeting

Responsibilities of Shareholders' General Meeting

The shareholders' general meeting of the Bank consists of all shareholders. The general meeting is the authority of the Bank and shall exercise the following powers and functions in accordance with the law:

- To decide on the Bank's business policy and investment plan;
- To elect and replace directors, and decide on the remuneration of directors;
- To elect and replace external supervisors and supervisors nominated by shareholders' representatives, and decide on the remuneration of supervisors;
- To approve the report of the Board of Directors;
- To approve the report of the Board of Supervisors;
- To approve the annual financial budget and final accounts of the Bank;
- To approve the profit distribution plan and loss recovery plan of the Bank;
- To approve or authorize the board of directors to approve the establishment of legal person institutions, major equity investment, major asset purchase, major asset disposal, major asset write-off, major asset mortgage, other non-commercial bank business guarantees, major external donations and other matters of the Bank;
- To approve the guarantee items stipulated in Article 56 of the Articles of Association of the Bank;
- To make resolutions on the increase or decrease of registered capital of the Bank;
- To make resolutions on the issuance of bonds by the Bank;
- To make resolutions on any change in the capital structure of the Bank, issue or agree to issue new shares, or create or agree to create any options, warrants or offer rights to subscribe for or acquire shares of the Bank or other share capital of the Bank, which can be converted or exchanged for shares of the Bank or other share capital of the Bank;
- To make resolutions on the merger, acquisition, division, dissolution, liquidation, termination and change of corporate form of the Bank;
- To amend the Articles of Association of the Bank;
- To listen to the notification of the Board of Directors on the supervision opinions of CBIRC on the Bank, and consider the report of the Board of Directors on the implementation of the rectification of the Bank;
- To review the report of the Board of Directors on the evaluation of directors and the mutual evaluation results of independent directors;
- To review the report of the Board of Supervisors on the evaluation of supervisors and the mutual evaluation results of external supervisors;
- To review other matters that should be decided by the shareholders' general meeting according to laws, regulations and the Articles of Association.

Matters within the terms of reference of the general meeting shall be considered and decided by the general meeting, but the general meeting may authorise the Board of Directors to decide on those matters where necessary, reasonable and lawful. The content of the authorization shall be clear and specific.

In 2022, the Bank convened 4 general meetings and Shanghai AllBright's Guangzhou Office and Guang Dong Kingson Law Firm witnessed the validity and legality of procedures of convening and holding these meetings, the qualifications of the attendees, the qualifications of the conveners, the voting procedures and the voting results on site, and issued legal opinions respectively.

Corporate Governance

Information of the Annual Shareholders' General Meeting

On 24 June 2022, the Bank's 2021 Annual Shareholders' General Meeting was held in Guangzhou.

The meeting was attended by 30 shareholders and proxies representing 19,561 million shares with voting rights, accounting for 89.77% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the 2021 Work Report of the Board of Directors of the Bank, Proposal on the 2021 Work Report of the Board of Supervisors of the Bank, Proposal on the 2021 Final Account Report of the Bank, Proposal on the 2021 Profit Distribution Plan of the Bank, Proposal on the 2022 Financial Budget of the Bank, and Proposal on China Guangfa Bank's Reappointment of External Audit Institutions in 2022, and relevant resolutions were duly passed.

At the meeting, the 2021 Work Report of the Independent Directors of China Guangfa Bank, the Report on the Board of Directors' Implementation of the Authorization of 2021 Annual Shareholders' General Meeting, the Report on 2021 Connected Transaction of China Guangfa Bank Co., Ltd. and 2021 Annual Evaluation Report of Major Shareholders of China Guangfa Bank were also reviewed. The comprehensive evaluation results of the performance of directors, supervisors and senior executives were reported by the Board of Supervisors at the meeting in 2021.

Information of the Extraordinary Shareholders' General Meetings

The First Extraordinary Shareholders' General Meeting in 2022

On 25 March 2022, the first Extraordinary Shareholders' General Meeting of the Bank in 2022 was held in Guangzhou.

The meeting was attended by 10 shareholders and proxies representing 19,300 million shares with voting rights, accounting for 88.58% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the Election of Mr. Bai Tao as Director of the Ninth the Board of Directors of China Guangfa Bank Co. Ltd., Proposal on Mr. Yang Kejing's Resignation as External Supervisor of China Guangfa Bank Co., Ltd., Proposal on the Remuneration of Directors of China Guangfa Bank for 2021 and Proposal on the Remuneration of Supervisors of China Guangfa Bank for 2021, and relevant resolutions were duly passed.

The Second Extraordinary Shareholders' General Meeting in 2022

On 28 September 2022, the second Extraordinary Shareholders' General Meeting in 2022 was held in Guangzhou.

The meeting was attended by 16 shareholders and proxies, representing 19,392 million voting shares, accounting for 89.00% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The meeting deliberated each proposal and approved the following by polling: Proposal on the Issuance of Tier Two Capital Bonds of up to RMB26.0 billion, and relevant resolutions were duly passed.

The Third Extraordinary Shareholders' General Meeting in 2022

On 28 December 2022, the Third Extraordinary Shareholders' General Meeting in 2022 was held in Guangzhou.

The meeting was attended by 13 shareholders and proxies, representing 19,389 million voting shares, accounting for 88.98% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the Election of Mr. Wang Xi as Independent Director of the Ninth the Board of Directors of China Guangfa Bank Co. Ltd., Proposal on Amending the Rules of Work for Independent Directors of China Guangfa Bank Co., Ltd. and Proposal on Amending the Implementation Measures on Eligibilities and Selection Procedures of Directors and Senior Executives of China Guangfa Bank Co., Ltd., and relevant resolutions were duly passed.

Information of the Board of Directors

Composition of the Board of Directors

During the reporting period, the Bank's Board of Directors has 15 Directors in total, including five independent directors which account for one third of members of the Board of Directors. The Board members include not only heads and senior executives from renowned large financial institutions with extensive experience in the financial industry but also professionals in finance, audit and investment as well as senior experts and scholars in economic and law fields. Such diversified and internationalized members can bring broad visions, independent views and proven expertise, allowing the Board of Directors to ensure more scientific and effective decision-making.

Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As specified in the Articles of Association of the Bank, its responsibilities include the following:

- Responsible for convening shareholders' general meetings and reporting its work to shareholders' general meetings;
- To execute resolutions of shareholders' general meetings;
- To determine the setup of internal management organizations of the Bank;
- To determine the Bank's risk management and internal control policies;
- To determine the Bank's annual business plans and investment proposals;
- To determine the bonus of Senior Executives of the Bank and the withdrawal percentage from gross profit;
- To determine resolutions such as the establishment of legal-person institutions by the Bank, significant equity investment, significant asset purchase, significant asset disposal, significant asset write-off, and significant asset mortgage, and other guarantee businesses of non-commercial bank business, significant external donation, etc., within the scope authorized by the Shareholders' General Meeting;
- To deliberate and approve the Bank's proposed material connected transactions with the connected parties;
- To formulate the Bank's annual financial budget plans and financial statements;
- To formulate the Bank's profit distribution and loss recovery plans;
- To formulate plans for increasing or decreasing the Bank's registered capital, issuing bonds or other securities and the IPO plans;
- To formulate plans for the Bank to repurchase the Bank's shares or merger, division and dissolution;
- To formulate the Bank's basic management system;
- To formulate the plans for any amendment to the Articles of Association of the Bank;
- To formulate rules of procedure for meetings of the Board of Directors;
- To nominate member candidates for next session of the Board of Directors;
- To nominate Independent Director candidates, subject to their consent;
- To appoint and dismiss the Bank's President;
- To appoint and dismiss the Secretary to the Board of Directors of the Bank according to Chairman's nomination; appoint and dismiss other Senior Executives other than the Bank's President according to the President's nomination; and decide on their remunerations, incentives and penalty matters;
- To receive the work report of the Bank's President and examining the performance of the President;
- To supervise duty performance of Senior Executives and ensuring that Senior Executives have effectively performed their management duties;
- To appoint and dismiss the accounting firm that audits the Bank;
- Responsible for the Bank's information disclosure and bearing the ultimate responsibility for the authenticity and accuracy, integrity and timeliness of the Bank's accounting and financial reports;
- To evaluate and improve the Bank's corporate governance regularly;
- To formulate overall strategy and basic system of the Bank's management on consolidated financial statements; supervise and ensure Senior Executives to effectively perform the duties for management on consolidated financial statements;
- To determine the Bank's green credit development strategy and the strategy, policies and objectives for consumer rights protection; review and approve the green credit objectives set by Senior Executives and their report on green credit; and receive regularly special reports of Senior Executives on the progress of protecting consumer rights;
- Responsible for the Bank's internal audit and bearing the ultimate responsibility for the independence and validity of internal audit;
- To establish the bank's risk culture, formulating risk management strategies;
- To cultivate the behavior management culture featuring compliance and integrity for employees, approve the code of conduct and detailed rules, supervise the senior management to conduct employees' behavior management;
- To exercise other functions and powers stipulated by laws and regulations or the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting.

The Board of Directors should listen to the opinions of the CPC Committee of the Bank before making significant decisions of the Bank.

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Special committees under the Board of Directors

Strategy/Consumer Rights Protection Committee

During the reporting period, the Strategy/Consumer Rights Protection Committee consists of seven directors, of whom Mr. Bai Tao is the chairing member. The other members are Mr. Wang Kai, Mr. Su Hengxuan, Mr. Yang Dongwei, Mr. Cai Chengwei, Mr. Liu Xiangyang and Mr. Guo Yunzhao. The primary responsibilities of the Committee are: formulating the Bank's business management objective and development strategies; supervising and evaluating the implementation process of the Bank's strategies; supervising, examining and evaluating annual business plans, financial budget plans and final accounts, profit distribution plans, investment proposals, capital planning and their implementation; studying and deliberating material investment and financing proposals and M&A proposals; studying and deliberating the institution establishment; studying and drafting the Bank's consumer rights protection strategies, policies and objectives, supervising and evaluating the consumer rights protection work, etc.

Risk Management Committee

During the reporting period, the Risk Management Committee consists of six directors, of whom Mr. Tang Xiaoqing is the chairing member. The other members are Mr. Yin Yi, Mr. Liu Lixiao, Mr. Dai Jiakai (proposed), Mr. Chen Yachu and Mr. Zhao Xudong. The primary responsibilities of the committee are: reviewing risk management strategies, risk management policies, risk appetite, internal control process, business continuity strategies of the Bank, etc., reviewing risk management matters such as asset risk classification and loss allowance policy, major asset disposal, major asset write-off, etc., supervising and evaluating the risk policy, risk management and risk level, internal control, case prevention management, compliance risk management of the Bank, etc., and performing part of the responsibilities of money laundering management risk.

Nomination & Remuneration Committee

During the reporting period, the Nomination & Remuneration Committee consists of seven Directors, of whom Mr. Guo Yunzhao is the chairing member. The other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai (proposed), Mr. Tang Xiaoqing, Mr. Chen Shimin and Mr. Zhao Xudong. The primary responsibilities of the committee are: formulating procedures and standards of selection and appointment of Directors, and Senior Executives, conducting preliminary review of the eligibilities of Director and Senior Executive candidates, formulating evaluation system, remuneration policy and incentives scheme for Directors and Senior Executives, supervising the implementation of such policy and scheme, etc.

Audit Committee

During the reporting period, the Audit Committee consists of five Directors, of whom Mr. Chen Shimin is the chairing member. The other members are Mr. Liu Lixiao, Mr. Liu Xiangyang, Mr. Chen Yachu and Mr. Guo Yunzhao. The primary responsibilities of the committee are: studying the establishment, operation and maintenance of the internal audit system of the Bank; supervising, inspecting and evaluating internal audit work of the Bank and the external audit institutions, auditing the Bank's financial information, and disclosing significant financial policies and their implementation, supervising annual auditing of the Bank, etc.

Connected Transaction Control/Inclusive Finance Development Committee

During the reporting period, the Connected Transaction Control/Inclusive Finance Development Committee consists of five directors, of whom Mr. Chen Yachu is the chairing member. The other members are Ms. Zhang Di, Mr. Cai Chengwei, Mr. Tang Xiaoqing and Mr. Zhao Xudong. The primary responsibilities of the committee are: reviewing and urging the formulation and implementation of connected transaction management policies, supervising the establishment and improvement of the connected transaction management system, examining and appraising the connected transactions, controlling risks associated with connected transactions; researching and deliberating the development strategy planning and basic management system of inclusive finance business, deliberating annual business plans and appraisal measures of inclusive finance, etc.

Meetings Convened by the Board of Directors and its Special Committees

Meetings Convened by the Board of Directors

In 2022, the Bank convened a total of 10 Board meetings. The table below shows Directors' attendance rate at Board meetings during the reporting period:

Incumbent Directors' attendance rate at Board meetings during the reporting period

Members of the Board of Directors	Number of meetings attended in person/Number of meetings required to attend	Number of on-site meetings to attend by proxy/ Number of on-site meetings required to attend	Rate of attendance at on-site meetings in person
Bai Tao	5/5	0/3	100%
Wang Kai	10/10	0/6	100%
Su Hengxuan	10/10	2/6	66.67%
Zhang Di	10/10	1/6	83.33%
Yang Dongwei	10/10	2/6	66.67%
Liu Lixiao	10/10	0/6	100%
Cai Chengwei	10/10	0/6	100%
Dai Jiakai (proposed)	–	–	–
Liu Xiangyang	10/10	0/6	100%
Chen Yachu	10/10	0/6	100%
Guo Yunzhao	10/10	0/6	100%
Chen Shimin	10/10	0/6	100%
Zhao Xudong	10/10	0/6	100%
Wang Xi	–	–	–

Retired Directors' attendance rate at Board meetings during the reporting period

Members of the Board of Directors	Number of meetings attended in person/Number of meetings required to attend	Number of on-site meetings to attend by proxy/ Number of on-site meetings required to attend	Rate of attendance at on-site meetings in person
Yin Yi	10/10	0/6	100%
Tang Xiaoqing	10/10	0/6	100%

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On 17 February 2022, the Bank held the 14th meeting of the 9th of Board of Directors by written endorsement. The following 3 proposals were reviewed and approved: Proposal on the Head Office of China Guangfa Bank Adjusting and Establishing Corporate Finance Department, Proposal on the CGB Special Plan for Consumer Rights Protection and Customer Service during the 14th Five-year Plan, Proposal on the Special Plan for Financial Technology during the 14th Five-year Plan of China Guangfa Bank, Report on the Pledged Equity of China Guangfa Bank was reviewed. And relevant resolutions were duly passed.

On 4 March 2022, the Bank held the 15th meeting of the 9th Board of Directors on-site and online. The following 11 proposals were reviewed and approved: Proposal on Nominating Mr. Bai Tao as a Candidate for Director of the Ninth Session of Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Convening the First Extraordinary Shareholders' General Meeting of China Guangfa Bank in 2022, Proposal on the 2021 Working Report and 2022 Working Plan of the Board of Directors of China Guangfa Bank, Proposal on the Remuneration of Directors of China Guangfa Bank for 2021, Proposal on Adjusting the Development Plan of Branch-level Institutions of China Guangfa Bank for 2022, Proposal on Report on Consumer Rights Protection for 2021 and Working Plan for 2022 of China Guangfa Bank, Proposal on Amending the Basic Provisions for Business Continuity Management of China Guangfa Bank, Report on Self-evaluation of Case Prevention of China Guangfa Bank in 2021, Proposal on Report on Progress of Rectification of Outstanding Wealth Management Business during the Transition Period under the New Regulations on Asset Management of China Guangfa Bank, Proposal on Report of Reputation Risk Management for 2021 and Reputation Risk Management Strategies for 2022 of China Guangfa Bank, and Proposal on the Risk Management Special Plan during the 14th Five-year Plan of China Guangfa Bank. The following 3 reports were reviewed: Report on the Operation and Budget Implementation of China Guangfa Bank for 2021, Report on Supervision and Evaluation of Corporate Governance of China Guangfa Bank for 2021, and Report on Behavior Evaluation of Banking Staff of China Guangfa Bank for 2021. And relevant resolutions were duly passed.

On 25 March 2022, the Bank held the 16th meeting of the 9th Board of Directors on-site and online. The following 9 proposals were reviewed and approved: Proposal on Electing Mr. Bai Tao as the Chairman of the Ninth Board of Directors of China Guangfa Bank, Proposal on Adding Members and Determining Chairing Members of Strategy/Consumer Protection Committee of the Ninth Board of Directors of China Guangfa Bank, Proposal on the Financial Final Report of China Guangfa Bank for 2021, Proposal on the Profit Distribution Plan of China Guangfa Bank for

2021, Proposal on 2021 Audit Report of China Guangfa Bank as per Chinese Standards, Proposal on 2021 Audit Report as per International Standards of China Guangfa Bank, Proposal on the Internal Control Evaluation Report of China Guangfa Bank for 2021, Proposal on Opinions of Shareholders' General Meeting of China Guangfa Bank for 2021 Proposal on Report on Authorisation Implementation by the Board of Directors, and Proposal on Transactions Related to Agreement Deposits of China Life Property and Casualty Insurance Co., Ltd. The following 10 reports were reviewed: Report on Risks of China Guangfa Bank for 2021, Report on Country Risk Management of China Guangfa Bank for 2021, Report on the Market Risk Management of China Guangfa Bank for 2021, Report on Evaluation of Business Continuity Management of China Guangfa Bank for 2021, Report on Collection, Disposal and Management of Non-performing Assets of China Guangfa Bank for 2021, Report on Write-off of Non-performing Loans of China Guangfa Bank for 2021, Report on the Implementation of Recovery Drills by the Backup Center of China Guangfa Bank for 2021, Report on Management of Outsourcing of China Guangfa Bank for 2021, Report on Authorisation Implementation by the Board of Directors of China Guangfa Bank to Senior Executives for 2021, and Report on Implementation of Resolutions of the Board of Directors and Opinions and Suggestions of the Directors of China Guangfa Bank for 2021. And relevant resolutions were duly passed.

On 26 April 2022, the Bank held the 17th meeting of the 9th Board of Directors on-site and online. The following 20 proposals were reviewed and approved: Proposal on the Debriefing Report of Independent Directors of China Guangfa Bank for 2021, Proposal on the Performance Evaluation Report of Directors by the Board of Directors of China Guangfa Bank for 2021, Proposal on the Performance Evaluation Report of Senior Executives by the Board of Directors of China Guangfa Bank for 2021, Proposal on Implementing Plan for Profit Distribution of China Guangfa Bank for 2021, Proposal on Evaluation Report of Substantial Shareholders of China Guangfa Bank for 2021, Proposal on the Annual Report of China Guangfa Bank for 2021, Proposal on China Guangfa Bank's 2022 Business Plan and Financial Budget, Proposal on Report of Banking Book Interest Rate Risk Management of China Guangfa Bank for 2021, Proposal on Internal Capital Adequacy Assessment Report of China Guangfa Bank for 2022, Proposal on the Comprehensive Risk Management Report of China Guangfa Bank for 2021, Proposal on Adjusting Country Risk Appetite Benchmarks of China Guangfa Bank for 2022 and Determining Country Risk Levels and Limits, Proposal on Evaluation Report of Internet Loans of China Guangfa Bank for 2021, Report on Compliance Risk Management of Guangfa Bank for 2021, Proposal on Work Plan for Internal Audit of

China Guangfa Bank for 2022, Proposal on Formulating Management Measures for substantial shareholder commitment of China Guangfa Bank Co., Ltd., Proposal on Formulating Management Measures for Investor Relations of China Guangfa Bank Co., Ltd., Proposal on Amending Management Measures for Information Disclosure of China Guangfa Bank Co., Ltd., Proposal on Convening the 2021 Annual Shareholders' General Meeting of China Guangfa Bank, Proposal on Equity Alteration of China Guangfa Bank, Proposal on Report of Related Party Transactions of China Guangfa Bank for 2021. The following 8 reports were reviewed: Report on the Operational Risk Management of China Guangfa Bank for 2021, Report on The Operation of Credit Risk Internal Rating System of China Guangfa Bank for 2021, Report on the Verification of the Risk Internal Assessment Model of China Guangfa Bank for 2021, Report on the Comprehensive Risk Stress Test of China Guangfa Bank in 2022, Report on Liquidity Risk Management of China Guangfa Bank for 2021, Report on IT Risk Management of China Guangfa Bank for 2021, Report on Problems Found in Internal Audit and Subsequent Rectification of China Guangfa Bank for 2021, and Report on the Operation of China Guangfa Bank for the First Quarter of 2022. And relevant resolutions were duly passed.

On 30 May 2022, the Bank held the 18th meeting of the 9th Board of Directors by written endorsement. The following 5 proposals were reviewed and approved: Proposal on Renewing the Appointment of External Audit Institutions by China Guangfa Bank for 2022, Proposal on Transactions Related to Group Credit Limit of China Life Insurance Group from 2022 to 2023, Proposal on Transactions Related to Group Credit Limit of State Grid Group from 2022 to 2023, Proposal on Transactions Related to Group Credit Limit of CITIC Corporation from 2022 to 2023 and Proposal on Transactions Related to Group Credit Limit of Jiangxi Communications Group from 2022 to 2023. The following 3 reports were reviewed: Report on the Audit Work of China Guangfa Bank for 2021, Report on the Implementation of Green Credit of China Guangfa Bank for 2021, and Report on Notification of Consumer Complaints for the Fourth Quarter of 2021 of CBIRC Consumer Protection Bureau. And relevant resolutions were duly passed.

On 24 June 2022, the Bank held the 19th meeting of the 9th Board of Directors on-site and online. The following 7 proposals were reviewed and approved: Proposal on Ms. Xu Hongxia's Resignation as Vice President of China Guangfa Bank, Proposal on the Performance Appraisal Indicators of Senior Executives of China Guangfa Bank for 2022, Proposal on Formulating Management Measures for Implementing the Expected Credit Loss Method of China

Guangfa Bank, Proposal on Formulating Management Measures for Impairment of Non-Credit Assets of China Guangfa Bank, Proposal on the 2021 Social Responsibility (ESG) Report of China Guangfa Bank, Proposal on Amending IT Outsourcing Strategies of China Guangfa Bank and Proposal on the Adjustment of Impairment Parameters of China Guangfa Bank for the First Half of 2022. And relevant resolutions were duly passed.

On 23 August 2022, the Bank held the 20th meeting of the 9th Board of Directors by written endorsement. The following 3 proposals were reviewed and approved: Proposal on Formulating Management Measures for Recovery and Resolution Plan of China Guangfa Bank, Proposal on Formulating the Recovery Plan (2022 Edition) of China Guangfa Bank, Proposal on Amending the Governing Rules for Connected Transactions of China Guangfa Bank. The following 4 reports were reviewed: Report on the Operation and Budget Implementation of China Guangfa Bank for the First Half of 2022, Report on Non-performing Assets Management of China Guangfa Bank for the First Half of 2022, Report of Notification on Evaluation of the Supervision on Consumer Rights Protection of China Guangfa Bank in 2021 by CBIRC Consumer Protection Bureau and Report on Notification of Consumer Complaints for the First Quarter of 2022 of CBIRC Consumer Protection Bureau. And relevant resolutions were duly passed.

On 2 September 2022, the Bank held the 21st meeting of the 9th Board of Directors on-site and online. The following 7 proposals were reviewed and approved: Proposal on Assessment Report on the Implementation of 14th Five-Year Development Plan of China Guangfa Bank for 2021, Proposal on the Protection of Consumer Rights for the First Half of 2022 and the Working Plan for the Second Half of 2022 of China Guangfa Bank, Proposal on Issuing Tier Two Capital Bonds of no more than RMB26 Billion by China Guangfa Bank, Proposal on the Performance Appraisal Results and Salary Distribution of Leaders and Senior Executives of China Guangfa Bank for 2021, Proposal on the Comprehensive Risk Management Report of China Guangfa Bank for the First Half of 2022, Proposal on Amending Management Measures for the Liquidity Risk of China Guangfa Bank, and Proposal on Convening the Second Extraordinary General Meeting of Shareholders of Guangfa Bank in 2022. The following 3 reports were reviewed: Report on the Market Risk Management of China Guangfa Bank for the First Half of 2022, Report on the Rectification under Regulatory Notice of China Guangfa Bank for 2021 and Report on the Implementation of Rectification of Problems Found in the CBRC's On-Site Inspection of Credit Card Business. And relevant resolutions were duly passed.

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On 23 November 2022, the Bank held the 22nd meeting of the 9th Board of Directors by written endorsement. The following 10 proposals were reviewed and approved: Proposal on Adjusting and Optimizing of the Organizational Structure of the Head Office of China Guangfa Bank, Proposal on Amending the Measures for Strategic Risk Management of China Guangfa Bank, Proposal on the Self-Assessment Report of Money Laundering and Terrorist Financing of China Guangfa Bank for 2021, Proposal on Amending the Measures for Outsourcing Management of China Guangfa Bank, Proposal on Nominating Mr. Wang Xi as a Candidate for Independent Director of the Ninth Session of Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Amending the Implementation Measures on Eligibilities and Selection Procedures of Directors and Senior Executives of China Guangfa Bank Co., Ltd., Proposal on Amending Rules of Work for Independent Directors of China Guangfa Bank Co., Ltd., Proposal on Formulating Professional Ethics Standards for Directors, Supervisors and Senior Executives of China Guangfa Bank Co., Ltd., Proposal on Formulating the Measures for Equity Management of China Guangfa Bank Co., Ltd., and Proposal on Convening the Third Extraordinary General Meeting of Shareholders of China Guangfa Bank in 2022. The following 2 reports were reviewed: Report on the Operation and Budget Implementation of China Guangfa Bank for the First Three Quarters of 2022 and Report on Problems Found in Internal Audit and Subsequent Rectification of China Guangfa Bank for the First Three Quarters of 2022. And relevant resolutions were duly passed.

On 28 December 2022, the Bank held the 23rd meeting of the 9th session of Board of Directors on-site and online. The Bank reviewed and approved the following 6 proposals: Proposal on Work Plan on Consumer Rights Protection and Customer Service 2.0 (2023-2025) of China Guangfa Bank, Proposal on Self-evaluation Report of Case Prevention of China Guangfa Bank in 2022, Proposal on Major Anti-Money Laundering Matters and Money Laundering Risk Management of China Guangfa Bank for 2022, Proposal on the Authorization and Approval Plan of General Anti-Money Laundering System of China Guangfa Bank, Proposal on the Adjustment of Important Models and Key Parameters Related to the Implementation of the Expected Credit Loss Method of China Guangfa Bank at the End of 2022 and Proposal on Formulating the Sales Strategy of Wealth Management Products of China Guangfa Bank; reviewed 4 reports: Report on the Rectification of 2021 Annual Consumer Rights Protection Supervisory Evaluation of China Guangfa Bank, Report on Behavior Evaluation of Banking Staff of China Guangfa Bank for 2022, Report on the Sales of Wealth Management Products of China Guangfa Bank for 2021-2022 and the Report on Data Management and Control of China Guangfa Bank for 2022, and relevant resolutions were duly passed.

Meetings of special committees of the Board of Directors

In 2022, the special committees of the Board of Directors held 33 meetings, deliberated 67 proposals and reviewed 33 reports. The committees reviewed and approved the implementation of the Bank's "14th Five-Year Plan" in 2021, 2021 financial final accounts report, 2021 profit distribution plan, 2021 comprehensive risk management report, 2021 internal control evaluation report, 2021 related party transactions report, 2021 annual report, 2021 consumer rights protection work report and 2022 working plan, 2022 accounting firm appointment, 2022 business plan and financial budget, 2022 audit plan, 2022 major anti-money laundering issues and money laundering risk management, 2022 inclusive financial business working program, and the special plan during the 14th Five-year Plan, shareholding change, director nomination, the expected credit loss, the recovery and disposal plan, the internal audit assessment, the adjustment of the organizational structure of the head office, etc.; and reviewed 2021 implementation of green credit, 2021 business continuity management evaluation, 2021 various risk management, 2021 non-performing assets management, 2021 filing of general related party transactions, 2021 data management and control, regulatory notification and implementation of rectification and outsourcing management. Among those meetings, 5 meetings of the Nomination and Remuneration Committee were held in 2022.

Implementation of the resolutions of the shareholders' general meeting by the Board of Directors

During the reporting period, the Board of Directors strictly complied with the relevant laws and regulations and financial regulatory requirements, implemented the decisions of the CPC Central Committee, conscientiously carried out the resolutions of the shareholders' general meeting, guided the senior executives to adhere to their duties to serve the real economy, and promoted the construction of internal control and compliance, thereby promoting the steady and sustainable development of the Bank's businesses.

Independence and Performance of Duties of Independent Directors

At the end of the reporting period, there are five Independent Directors in the Board of Directors of the Bank, which meets regulatory requirements on the qualification, number and proportion of Independent Directors. None of the Independent Directors has any business or financial interests in the Bank or assumed any managerial post in the Bank, which meets relevant

regulatory requirements on independence. Independent Directors represent the majority and act as chairing members in the Nomination & Remuneration Committee, Audit Committee, and Connected Transaction Control Committee/Inclusive Finance Development Committee, and act as chairing members in the Risk Management Committee of the Board of Directors.

During the reporting period, Independent Directors of the Bank, as required by laws and regulations and the Articles of Association of the Bank, acted with due diligence and attended Board meetings and its special committees in person to exercise their supervision rights and express their opinions on an adequate, objective and independent basis, in order to assist the Board of Directors and special committees to improve efficiency and scientific decision-making ability. Moreover, Independent Directors and its special committees fully leveraged their expertise and professionalism to actively participate in the deliberation and decision-making of proposals at Board and its special committees meetings, make independent judgments on major matters such as profit distribution, director nomination, resignation of executives, remuneration of directors and executives, material shareholding change, appointment of accounting firms, major connected transactions, etc., and express independent opinions in an objective and impartial manner, to protect overall interest of the Bank and legitimate rights and interests of the whole shareholder, especially minority shareholders, and gave full play to their role as Independent Directors. During the intersessional period, independent directors actively participated in the international sanctions risk and compliance, equity management and related transactions practice, the implementation of the expected credit loss method and other trainings organized by the Board of Directors, and continued to improve the professional quality and the ability to perform their duties. Independent directors conduct special written investigations in the area of consumer rights protection, practice the concept of finance for the people, and provide professional opinions and suggestions. The Board of Directors and senior management attach great importance to the opinions and suggestions of independent directors.

Board of Supervisors

Composition of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank consists of six Supervisors, including one Shareholder Supervisor, two External Supervisors and three Employee Supervisors; the number of members and composition of the Board of Supervisors comply with the regulatory requirements and provisions of the Articles of Association

of the Bank. The External Supervisors are professionals in accounting and legal affairs; and the Employee Supervisors have been engaged in bank operations and management for a long time with extensive professional experience in finance.

Responsibilities of the Board of Supervisors

The Board of Supervisors is the supervisory organization of the Bank and responsible to the Shareholders' General Meeting. The responsibilities of the Board of Supervisors are as follows:

- Supervising the duty performance of the Board of Directors, Senior Management and their members, and proposing dismissal of Directors and Senior Executives in violation of laws, administrative regulations, the Articles of Association of the Bank or resolutions of the shareholders' general meeting;
- Conducting comprehensive appraisal of the performance of the Directors, Supervisors and Senior Executives, and reporting to the shareholders' general meeting and regulatory authorities;
- Requiring Directors and Senior Executives to rectify any of their behaviors in damage of the Bank's interests;
- Inquiring Directors and Senior Executives;
- Supervising the electing and engaging procedures of directors;
- Examining and supervising financial activities of the Bank;
- Deliberating the Bank's profit distribution proposal, and issuing opinions on the compliance and rationality;
- Deliberating the Bank's regular reports, and issuing written audit opinions on the authenticity, accuracy and integrity of reports;
- Supervising business decisions, risk management and internal control of the Bank and guiding the internal audit department about their work;
- Attending meetings held by the Board of Directors;
- Proposing to convene an extraordinary general meeting, and convening and presiding over the general meeting when the Board of Directors fails to do so in accordance with the Articles of Association of the Bank;
- Making proposals to shareholders' general meeting;
- Filing lawsuits to the Directors and Senior Executives in accordance with laws and provisions of the Articles of Association of the Bank;
- Supervising the Board of Directors to determine a sound business philosophy, value criterion and formulating development strategy according to the actual situation of the Bank;
- Regularly assessing the scientificity, rationality and effectiveness of the development strategies developed by the Board of Directors and formulated assessment reports;

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- Supervising the scientificity and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting.

Special Committees under the Board of Supervisors

The Nomination Committee and Supervisory Committee are set up under the Board of Supervisors of the Bank, both of which are chaired by External Supervisors.

Nomination Committee

During the reporting period, the Nomination Committee is composed of three Supervisors, of whom Mr. Li Weiyi is the chairing member and the other members are Mr. Chen Jiyou and Mr. Wu Dahao.

The primary responsibilities of Nomination Committee are:

- Making proposals to the Board of Supervisors in terms of the size and composition of the Board of Supervisors, according to the Bank's operation and management situations, asset size and equity structure;
- Formulating the selection procedures and standards for supervisors, conducting preliminary review on the eligibilities and qualifications of Supervisor candidates, and making proposals to the Board of Supervisors;
- Nominating and recommending candidates of special committees to the Board of Supervisors;
- Formulating the supervision proposal for the performance of Directors, Senior Management and members, and organizing the implementation after the proposal is approved by the Board of Supervisors;
- Conducting comprehensive appraisal of the performance of Directors, Supervisors and Senior Management and reporting to the Board of Supervisors;
- Supervising the electing and engaging procedures of Directors;
- Supervising the scientificity and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

Supervisory Committee

During the reporting period, the Supervisory Committee is composed of three Supervisors, of whom Mr. Li Wenjing is the chairing member and the other members are Mr. Chen Jiyou and Mr. Wu Dahao.

The primary responsibilities of the Supervisory Committee are:

- Formulating proposals (as needed) of supervision and inspection on the operational decision making, risk management and internal control, etc. and organizing the implementation after the proposals are approved by the Board of Supervisors;
- Formulating plans (as needed) to supervise the financial activities of the Bank as needed and implement related inspections;
- Formulating the supervision proposals (as needed) on whether the Board of Directors has established a sound business philosophy, values criterion and development strategy according to the actual situation of the Bank, and organizing the implementation after the proposals are approved by the Board of Supervisors;
- Putting forward opinions on the profit distribution proposal to be submitted by the Board of Directors to the general meeting, and reporting to the Board of Supervisors;
- Reviewing the Bank's regular reports made by the Board of Directors, raising written opinions, and reporting to the Board of Supervisors;
- Regularly assessing the scientificity, rationality and effectiveness of the development strategies developed by the Board of Directors;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

Meetings of the Board of Supervisors and special committees during the reporting period

During the reporting period, the Board of Supervisors of the Bank convened a total of ten meetings, which are as follows:

On 17 February 2022, the Bank convened the twelfth meeting of the eighth session of Board of Supervisors in the form of written resolutions. The Bank considered and approved the Proposal on the Resignation of Mr. Yang Kejing as External Supervisor of China Guangfa Bank, the Proposal on "14th Five-Year Plan" Special Plan for Consumer Rights Protection and Customer Service of China Guangfa Bank, and the Proposal on "14th Five-Year Plan" Fintech Special Plan of China Guangfa Bank, and reviewed the report on the pledged equity of China Guangfa Bank, and relevant resolutions were duly passed.

On 4 March 2022, the Bank convened the thirteenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on the 2021

Working Report and 2022 Working Plan of the Board of Supervisors of China Guangfa Bank, the Proposal on the Remuneration of Supervisors of China Guangfa Bank for 2021, the Proposal on Supplementing Members of the Supervisory Committee of the Eighth Board of Supervisors, the Proposal on 2021 Reputational Risk Management and 2022 Reputational Risk Management Strategy of China Guangfa Bank, the Proposal on “14th Five-Year Plan” Risk Management Special Plan of Guangfa Bank, the Proposal on Adjusting the Development Plan of Branch-level Institutions of China Guangfa Bank for 2022, the Proposal on 2021 Consumer Rights Protection Working Report and 2022 Working Plan of China Guangfa Bank, the Proposal on Amending “the Basic Regulations on Business Continuity Management of China Guangfa Bank”, and the Proposal on the Completion of The Rectification and Reform of Wealth Management Stock Business of China Guangfa Bank during the Transitional Period of the New Asset Management Regulations, and reviewed reports on the 2021 operating situation and budget execution, corporate governance supervision and evaluation, self-assessment of case prevention work, employee behavior evaluation, etc., and relevant resolutions were duly passed.

On 25 March 2022, the Bank convened the fourteenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on 2021 Annual Financial Final Account Report of China Guangfa Bank, the Proposal on 2021 Annual Profit Distribution Plan of China Guangfa Bank, the Proposal on Audit Report of China Guangfa Bank for 2021 as per Chinese Standards, the Proposal on Audit Report of China Guangfa Bank for 2021 as per International Standards, the Proposal on 2021 Internal Control Evaluation Report of China Guangfa Bank, the Proposal on the Agreement Deposits Connected Transactions of China Life P&C, and reviewed reports on the 2021 risk situation in 2021, the country risk management situation, the market risk management situation, the business continuity management assessment, the collection, disposal and management of non-performing assets, the bad debt write-off of non-performing loans, the implementation of disaster recovery drills in the disaster backup center, the outsourcing management work, and the implementation of resolutions of the Board of Supervisors, etc., and relevant resolutions were duly passed.

On 26 April 2022, the Bank convened the fifteenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on the Performance Evaluation Report of Directors by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on the Performance Evaluation Report of Supervisors by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on the

Performance Evaluation Report of Senior Executives by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on 2021 Annual Report of Guangfa Bank, the Proposal on 2022 Business Plan and Financial Budget of Guangfa Bank, the Proposal on 2021 Banking Book Interest Rate Risk Management Report of Guangfa Bank, the Proposal on 2022 Internal Capital Adequacy Assessment Report of China Guangfa Bank, the Proposal on 2021 Comprehensive Risk Management Report of China Guangfa Bank, the Proposal on Adjusting 2022 Country Risk Preference Index Values, and Approving Country Risk Levels and Limits of China Guangfa Bank, the Proposal on 2021 Internet Loan Business Evaluation Report of Guangfa Bank, the Proposal on 2021 Annual Report on Compliance Risk Management of China Guangfa Bank, the Proposal on 2021 Annual Report on Connected Transactions of China Guangfa Bank, the Proposal on 2022 Internal Audit Work Plan of China Guangfa Bank, and the Proposal on Revising “Information Disclosure Management Measures of China Guangfa Bank”, and reviewed reports on the operational risk management in 2021, the operation of the credit risk internal rating system, the verification of the risk internal assessment model, the liquidity risk management, the information technology risk management work, the problems found and rectified by the internal audit, the 2022 comprehensive risk stress test, 2022 first quarter operating conditions and others, and relevant resolutions were duly passed.

On 30 May 2022, the Bank convened the sixteenth meeting of the eighth session of Board of Supervisors in the form of written resolutions. The Bank considered and approved the Proposal on Reappointment of an External Auditor of China Guangfa Bank for 2022, the Proposal on Connected Transactions of Group Credit of China Life Group in 2022-2023, the Proposal on Connected Transactions of of Group Credit of State Grid Corporation in 2022-2023, the Proposal on Connected Transactions of Group Credit of CITIC Group in 2022-2023, and the Proposal on Connected Transactions of of Group Credit of Jiangxi Expressway Investment Group in 2022-2023, and reviewed reports on the audit work in 2021, the implementation of green credit, and the notification of consumer complaints by the Consumer Protection Bureau of the China Banking and Insurance Regulatory Commission in the fourth quarter of 2021, and relevant resolutions were duly passed.

On 24 June 2022, the Bank convened the seventeenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on the 2022 Performance Evaluation Indicators of Senior Executives for China Guangfa Bank, the Proposal on Formulating “the Measures for the Implementation of Expected Credit Loss Law of China Guangfa Bank”, the Proposal on Formulating “

Corporate Governance

the Measures for the Administration of Impairment of Non-credit Assets of China Guangfa Bank”, the Proposal on the 2021 Social Responsibility Report of China Guangfa Bank, and the Proposal on Revising “Information Technology Outsourcing Strategy of China Guangfa Bank”, and relevant resolutions were duly passed.

On 23 August 2022, the Bank convened the eighteenth meeting of the eighth session of Board of Supervisors in the form of resolutions. The Bank considered and approved the Proposal on Formulating “the Management Measures for Recovery and Resolution Plan of China Guangfa Bank”, the Proposal on Formulating the “China Guangfa Bank Recovery Plan (2022 Edition)”, and the Proposal on Amending the “Administrative Measures for Connected Transactions of China Guangfa Bank”, and reviewed reports on the operating and budget implementation in the first half of 2022, the management of non-performing assets, the Report on the Supervision and Evaluation of Consumer Rights and Interests Protection of China Guangfa Bank for 2021 by Consumer Protection Bureau of the China Banking and Insurance Regulatory Commission, the Report on Consumer Complaints in the First Quarter of 2022, and relevant resolutions were duly passed.

On 2 September 2022, the Bank convened the nineteenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on the Evaluation Report on the Implementation of the “14th Five-Year Plan” of Guangfa Bank for 2021, the Proposal on the Protection of Consumer Rights and Interests in the First Half of 2022 and the Work Plan for the Second Half of the Year of China Guangfa Bank, the Proposal on Issuance of Tier 2 Capital Bonds of Less than RMB26 Billion of China Guangfa Bank, the Proposal on the 2021 Annual Performance Appraisal Results and Salary Distribution of Leaders and Executives of China Guangfa Bank, the Proposal on Comprehensive Risk Management Report of China Guangfa Bank for the First Half of 2022, and the Proposal on Revising the “Liquidity Risk Management Measures of China Guangfa Bank”, and reviewed reports on the market risk management in the first half of 2022, the 2021 regulatory notification rectification, the credit card business problems found by China Banking and Insurance Regulatory Commission and rectification report, and relevant resolutions were duly passed.

On 23 November 2022, the Bank convened the twentieth meeting of the eighth session of Board of Supervisors in the form of written resolutions. The Bank considered and approved the Proposal on Adding Members of the Nomination Committee of the Eighth Board of Supervisors, the Proposal on Formulating “the Code of Professional Ethics of Directors, Supervisors and Senior Management

of China Guangfa Bank, the Proposal on the Performance Evaluation Work Plan of Directors, Supervisors and Senior Management by the Board of Supervisors of China Guangfa Bank for 2022, the Proposal on Adjusting “Strategic Risk Management Measures of China Guangfa Bank”, the Proposal on the Adjustment and Optimization of the Organizational Structure of Head Office of China Guangfa Bank, the Proposal on the Self-Assessment Report of Institutional Money Laundering and Terrorist Financing Risks of China Guangfa Bank for 2021, the Proposal on Revising “the Outsourcing Management Measures of China Guangfa Bank”, and reviewed reports on operating conditions and budget execution in the first three quarters of 2022 and the problems found and rectified by the internal audit, and relevant resolutions were duly passed.

On 28 December 2022, the Bank convened the twenty-first meeting meeting of the eighth session of Board of Supervisors through video connection. The Bank considered and approved the Proposal on Consumer Rights Protection and Customer Service 2.0 Work Plan (2023-2025) of China Guangfa Bank, the Proposal on 2022 Case Prevention Self-Assessment Report of China Guangfa Bank, the Proposal on 2022 Major Anti-Money Laundering Issues and Money Laundering Risks Management Report of China Guangfa Bank, and reviewed reports on the consumer rights protection regulatory evaluation and rectification of 2021, practitioner behavior evaluation, and data management and control work of 2022, and relevant resolutions were duly passed.

During the reporting period, the Supervisory Committee of the Board of Supervisors of the Bank convened six meetings, which were considered and approved the Proposal on the Resignation of Mr. Yang Kejing as External Supervisor of China Guangfa Bank, the Proposal on the Nomination of Candidates for the Supervisory Committee of the Eighth Board of Supervisors, the Proposal on the Performance Evaluation Report of Directors by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on the Performance Evaluation Report of Supervisors by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on the Performance Evaluation Report of Senior Executives by the Board of Supervisors of China Guangfa Bank for 2021, the Proposal on the Performance Appraisal Indicators of Senior Executives of China Guangfa Bank for 2022, the Proposal on the Performance Evaluation Results and Salary Distribution of Leaders and Senior Executives of China Guangfa Bank for 2021, the Proposal on the Nomination of Members of the Nomination Committee of the Eighth Board of Supervisors, and the Proposal on the Performance Evaluation Report of Directors, Supervisors and Senior Management by the Board of Supervisors of China Guangfa Bank for 2022, and relevant resolutions were duly passed.

During the reporting period, the Supervisory Committee of the Board of Supervisors of the Bank convened two meetings, which were considered and approved the Proposal on the Preliminary Profit Distribution Plan of China Guangfa Bank for 2021, the Proposal on Audit Report of China Guangfa Bank for 2021 as per Chinese Standards, the Proposal on Audit Report of China Guangfa Bank for 2021 as per International Standards and the Proposal on 2021 Annual Report of China Guangfa Bank, and relevant resolutions were duly passed.

Performance of duties by external supervisors

The Board of Supervisors of the Bank currently has two external supervisors. The chairmen of the nomination committee and the supervision committee of the Board of Supervisors are all external supervisors. During the reporting period, the Bank's external supervisors worked diligently, gave full play to their expertise, and performed various supervisory duties in strict accordance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank. They actively participated in meetings of the Board of Supervisors and special committees, carefully considered various proposals and expressed independent opinions and suggestions; effectively performed the duties of the chairmen of the special committees, promptly convened the meetings of the special committees; actively participated in the performance evaluation, inspection and investigation organized by the Board of Supervisors; and strengthened study and training to further improve the ability to perform duties.

Work of the Supervisory Board

Practically raise the political position and complete rectifications proposed by CPC Central Committee Inspection Tours centrally-assigned tasks with high quality

The Board of Supervisors insisted on completing rectifications proposed by CPC Central Committee Inspection Tours as the top political priority, conveyed the rectification requirements at the meeting of the Board of Supervisors, pinpointed rectification responsibilities, implemented "Five Enhancements", "Four Integrations", and "inch-by-inch" rectification requirements according to the benchmark and standards, and formulated and revised the "Three Lists" with high quality in terms of the institutional system, supervision mode, and closed-loop management of the Board of Supervisors. Efforts were made to better implement the "Four Supervisions and One Evaluation" supervision mechanism, solidly promote the implementation of various rectification measures, effectively strengthen the supervision in key areas such as finance, risk management, internal control, and compliance, and complete the rectification as scheduled.

Strengthen the total leadership of the party, and promote the organic integration of the Party's leadership and the governance of the Board of Directors

The Board of Directors continued to implement the "Two Insistencies" principle, deepened the organic integration of the Party's leadership and the governance of the Board of Supervisors, and established a system that incorporates the Party's leadership into corporate governance and supervision. Firstly, measures were taken to continuously implement the CGB's Work Plan on Strengthening the Organic Integration of the Party's Core Leadership and Corporate Governance, perfect the information communication mechanism with the party committee and the Board of Directors, make it clear that the resolutions and opinions reached at the meeting of the Board of Supervisors will be included into the list of "three major and one important" issues developed by the party committee of the head office, and institutionalize and standardize the procedure of reporting supervisory resolution execution to the party committee. Secondly, important proposals submitted to the Board of Supervisors for deliberation were studied by the party committee in advance while the opinions of the party committee were earnestly taken, so as to practically apply the procedure in which the party committee sets the direction and the Board of Supervisors performs governance and supervision duties. Thirdly, the Board of Supervisors enhanced the communication and information exchange with the Discipline Inspection Committee, the Audit Committee, and other supervisory bodies of the Party, took active part in joint supervision work meetings, and better joined the force for supervision.

Carrying out compliance supervision and fully performing statutory supervision duties

(1) Convening the meeting of the Board of Supervisors under regulations to strengthen the efficiency of deliberation and supervision

During the reporting period, ten meetings of the Board of Supervisors were organized, and 98 proposals and reports were considered and reviewed; and six meetings of the Nomination Committee and two meetings of the Supervision Committee were convened, at which 13 proposals were considered. Efforts were taken to strengthen the overall planning of meetings and the active management of proposals to realize all-covered supervision in key areas such as financial and business decision-making, risk management, internal control and compliance, and internal audit. The scope of supervision was deepened to cover various types of risks, violation prevention, expected credit loss, external audit, and other professional subdivisions. The Board of Supervisors optimized meeting services and information support, encouraged supervisors to offer advice and suggestions, and put forward constructive suggestions; regularly tracked the

Corporate Governance

execution progress of the resolutions made by the Board of Supervisors, conveyed and reported the implementation result to supervisors in a timely manner, and further strengthened the closed-loop management of supervision.

(II) Organizing supervisors to participate in corporate governance meetings efficiently to promote attendance supervision

During the reporting period, the Board of Supervisors organized supervisors to attend four general meetings of shareholders and six on-site meetings of the Board of Directors, earnestly reviewed various proposals and reports, supervised the decision-making process of major issues such as business operation, financial management, internal control and compliance, risk prevention and control, profit distribution, and remuneration appraisal, and also intensified the supervision of duty performance by directors and senior managers. The Board of Supervisors dispatched an external supervisor to act as the chief scrutineer to supervise the voting and counting process at the general meeting of shareholders, so as to practically protect the legitimate rights and interests of all shareholders, the Bank, and stakeholders.

(III) Planning the supervision content during the adjournment systematically to improve inquiry-based supervision

The Board of Supervisors timely sorted out inquiry-based supervision issues, issued the Working Letter of the Board of Supervisors to targeted recipients, and focused on supervisory issues such as liability quality, remuneration management, anti-money laundering, internal control and compliance, and consumer protection supervision and evaluation. It generated inquiry-based supervision reports and sent to directors, supervisors, and senior managers for review, so as to improve the supervision scope and timeliness for the Board of Supervisors during the adjournment.

(IV) Coordinating and optimizing the survey organization of the Board of Supervisors to further deepen survey-based supervision

The Board of Supervisors took the initiative to improve the survey organization form, focused on the rectification requirements for financial supervision and evaluation, and conducted special surveys on consumer protection in collaboration with the Board of Directors. By distributing questionnaires to the consumer protection departments and relevant personnel at the head office and branch operations, the Board of Supervisors deeply understood the consumer protection progress of the Bank, analyzed gaps, put forward suggestions, generated specialized survey reports, and timely sent them to the management for research and implementation, thus strengthening the closed-loop management of survey-based supervision.

(V) Evaluating the duty performance of directors, supervisors and senior managers effectively, to further strengthen the supervision and constraint of duty performance

The Board of Supervisors strictly implemented the requirements for financial supervision, continued to improve the working mechanism, optimized evaluation dimensions, refined evaluation indicators, and evaluated the duty performance of directors, supervisors and senior managers in 2021 in compliance with regulations. The Board of Supervisors collected performance information through daily supervision, communication, and review of performance files, both qualitatively and quantitatively, evaluated the annual performance evaluation results of directors, supervisors and senior managers objectively and prudently, formed performance evaluation reports, and then submitted those reports, after being reviewed by the Board of Directors, to the regulatory organ and the Bank's general meeting of shareholders, so as to play an effective role of duty performance evaluation and constraint. Also, the Board of Supervisors formulated and revised the performance evaluation work plan for directors, supervisors, and senior managers in 2022, and made forward-looking plans for the subsequent performance evaluation work.

Focusing on key supervision areas and proposing constructive supervision opinions

(I) Focusing on the capability of implementing the CPC Central Committee's deployments and arrangements and contributing to the overall interests

The Board of Supervisors improved the proposal sharing mechanism with the Board of Directors, and included the proposals made by the Board of Directors, which are related to the implementation of the CPC Central Committee's decisions and arrangements, into the supervision scope of the Board of Supervisors. The Board of Supervisors reviewed the annual business plan, green credit, and institutional development planning adjustment, issued secondary capital bonds, social responsibility reports and other proposals, and raised suggestions on further implementing the CPC Central Committee's decisions and arrangements as well as the "two stabilities, two controls, and five improvements" requirements put forward by the higher-level party committee. Efforts were made to actively blend into the development strategy of the group, serve the new development landscape, increased the credit support for the real economy, especially the inclusive business, manufacturing, environmental protection, and other major areas, so as to stabilize the overall economic situation, promote the high-quality development of the Bank while boosting economic development, and earnestly perform its economic, political, and social responsibilities as a centrally-owned joint-stock bank.

(II) Focusing on finance and capital supervision and optimizing business and management strategies

The Board of Supervisors deliberated on and reviewed the financial budget and implementation report, the annual final account report, the profit distribution plan, the internal capital adequacy assessment report, and other proposals and reports, and proposed to implement action plans for stable growth and cost control, take solid measures in budget breakdown and execution tracking, so as to ensure the organic connection between budget indicators and the strategic plan; strengthened the refined management of expenses and expenditures, and promoted cost reduction; strengthened the management of capital amount and structure, effectively controlled the expansion of risk-weighted assets with low returns and high capital occupation, and strived to improve the efficiency of capital utilization.

(III) Focusing on risk management and supervision and better stand to the bottom line of risks

The Board of Supervisors deliberated on the special risk management plan, the comprehensive risk management report, and the recovery and disposal plan for the “14th Five-Year Plan”, reviewed various types of reports on risk management, non-performing asset recovery and disposal, and comprehensive risk stress tests, supervised and strengthened the bottom-line thinking, coordinated and improved the risk management system from the whole to the part and from the strategy to the tactic, so as to enhance the uniformity, balance, and effectiveness of comprehensive risk management; strengthened the credit risk control in real estate, government financing platforms, retail consumption credit, and other key areas, stepped up the identification and monitoring of potential risks, and continuously reduced concentration risks; facilitated the construction of the comprehensive risk management platform, deepened technological empowerment, enhanced the capability of identifying, evaluating, measuring, monitoring, and handling risks of various kinds, and improved the refinement of risk management.

(IV) Focusing on internal control and compliance supervision and promoting internal control management

The Board of Supervisors deliberated on and reviewed proposals and reports on internal control evaluation, case prevention self-assessment, related party transactions, and business continuity management, with a focus on the construction of the internal control system construction and the effectiveness of compliance management across

the Bank. It suggested strengthening the bank-wide internal control compliance management based on the centrally-assigned rectification requirements, implementing the work arrangement in the “Year of Compliance Performance Enhancement”, and promoting the capability construction for compliance management; improved the case prevention management system consisting of vertical function supervision and horizontal grid-based supervision, strengthened the management of employees’ behaviors, and imposed punishment on violations across the board; valued and strengthened the emergency drill mechanism and regularly held business continuity risk evaluation to enhance the response to unexpected risk incidents.

(V) Focusing on internal audit supervision and promoting quality and efficiency improvement for audit

The Board of Supervisors deliberated on and reviewed the annual internal audit work plan, internal audit findings, and rectification reports, and suggested planning and promoting the internal audit from the perspective of improving corporate governance and preventing financial risks. It also expanded the vertical coverage of audit in strategic execution, internal control compliance, and other important business sectors and improved the ability of audit to serve the general strategic development of the Bank; improved the allocation of audit resources, strengthened the tracking and rectification management for audit findings, and deepened the application of audit outcomes.

(VI) Focusing on performance-based remuneration supervision and optimizing the incentive and constraint mechanism

The Board of Supervisors deliberated on the proposal on performance indicators, and performance appraisal and salary distribution of senior managers, supervised matters about directors’ remuneration by attending meetings of the Board of Directors and the general meeting of shareholders, suggestions on strictly implementing regulatory requirements, dynamically improving senior managers’ performance appraisal mechanism and indicator system based on the actual condition, and better linking the performance indicators to the Bank’s strategic planning and goal for the “14th Five-Year Plan”. It also established a performance culture based on value contribution, and completed a performance-based remuneration system that fits with the Bank’s development strategy, general performance, risk management, and position duties, thus effectively exerting its function as a motivator and restrainer.

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(VII) Focus on the supervision of consumer rights protection and improve customer service capability

The Board of Supervisors deliberated on and reviewed the special plan for consumer rights protection and customer service, the consumer protection work report and work plan, the notification on consumer complaint notification, the notification on consumer protection supervision and evaluation, and other proposals and reports for the “14th Five-Year Plan”. Based on the special survey on consumer protection, the Board of Supervisors suggested sticking to the “people-centric” development idea with a focus on strengthening the consumer protection mechanism construction in branch operations to create a brand culture of customer service; strengthening the analysis of hot and difficult issues in consumer protection, filling the gap in institutional system, operation process, and operation specifications, so as to reduce the occurrence of consumer complaints from the source; taking effective measures to rectify issues found in supervision and promoting the long-term management mechanism for consumer protection.

Valuing and strengthening self-construction to continuously improve the duty performance capability of the Board of Supervisors

The first measure is to improve the Board of Supervisors system. Actions were taken to fully revise the provisions of the Articles of Association involving the Board of Supervisors and the rules of procedure of the Board of Supervisors and its special committees, systematically formulate revision plans, and perform the party committee pre-research procedure according to regulations. The second measure is to construct a stronger organization for the Board of Supervisors. Actions were taken to complete the resignation procedure of external supervisors and employee supervisors according to regulations while optimizing and adjusting the membership structure of special committees of the Board of Supervisors. The preparatory work for the re-election of the Board of Supervisors was started. The third measure is to improve the quality and efficiency of duty performance services. Supervisors were organized to participate in training sessions on equity management and related party transactions. Books about related expertise were purchased on a quarterly basis for supervisors to read, helping them enrich their knowledge system. Materials about business management and anti-money laundering quarterly publications were distributed to supervisors to keep them abreast of the operation trend of the Bank. The fourth measure is to strengthen study-based empowerment. The major topic of the group, the Research on the Governance System and Governance Capability of the Board of Supervisors of Modern Commercial Banks,

was completed, and the operation experiences and rules of the Board of Supervisors were summarized as the reference.

Independent Opinions of the Board of Supervisors on Relevant Matters

Legitimate business

During the reporting period, the Bank carried out operations in strict compliance with all applicable laws and regulations. The decision-making procedure of the Bank has fulfilled relevant requirements of laws and regulations, regulatory requirements and the Articles of Association of the Bank. There were no behaviors of directors and senior executives of the Bank found to have violated laws and regulations, regulatory requirements and the Article of Association of the Bank or have contravened the interests of the Bank or the shareholders.

Financial reporting

During the reporting period, PriceWaterhouseCoopers Zhong Tian Co., Ltd. audited the 2021 financial statements prepared by the Bank in accordance with CAS and IAS. The Board of Supervisors thinks that the 2021 financial statements of the Bank are prepared and audited in accordance with legal and regulatory requirements give a true, fair and comprehensive view on the Bank’s actual operation.

Preliminary profit distribution plan

During the reporting period, the Board of Supervisors considered and approved the 2021 Preliminary Profit Distribution Plan of China Guangfa Bank, regarded such plan and its decision-making procedures in compliance with requirements of laws, regulatory requirements and the Article of Association of the Bank while giving consideration to the current and long-term interests of shareholders of the Bank and taking full account of, among others, the Bank’s capital adequacy level, strategic development requirements and external regulations, thus determined such plan is in line with the actual conditions of the Bank and agreed on its submission to the Shareholder’s General Meeting for deliberation.

Connected transactions

During the reporting period, The Board of Supervisors considered and approved the Proposal on the Connected Transaction of Agreement Deposit of China Life Insurance Co., Ltd., the Proposal on Report on Connected

Transactions of China Guangfa Bank for 2021, the Proposal on Connected Transactions of Group Credit of China Life Group in 2022-2023, the Proposal on Connected Transactions of Group Credit of State Grid Corporation in 2022-2023, the Proposal on Connected Transactions of Group Credit of CITIC Group in 2022-2023, the Proposal on Connected Transactions of Group Credit of Jiangxi Expressway Investment Group in 2022-2023, the Proposal on Revising the “Connected Transaction Management Measures of China Guangfa Bank”, and required the management to revise and improve the connected transaction management measures of the Bank in a timely manner in accordance with the new regulatory regulations, strengthen the identification and monitoring of connected parties and Connected Transactions in accordance with the principles of substance over form and penetration management, and continue to strengthen the management of key areas asset, such as management, interbank and off-balance sheet transactions, as well as connected transaction management of subsidiaries, to prevent connected transaction risks. No act in breach of the principle of fairness or infringed to the interests of the Bank or its shareholders in the Connected Transactions of the Bank.

Internal control

During the reporting period, the Board of Supervisors considered and approved the Resolution on the 2021 Internal Control Evaluation Report of China Guangfa Bank, and believed that as of the base date of the Internal Control Evaluation Report, no major deficiencies of the Bank’s financial report exist, nor the non-financial reporting internal control, and agreed with the report.

Implementation of information disclosure system

During the reporting period, the Bank fulfilled its information disclosure obligations in compliance with laws and regulatory requirements, conscientiously implemented the information disclosure management system, disclosed information in a timely manner, and disclosed truthful, accurate and complete information.

Implementation of resolutions of shareholders’ general meetings

During the reporting period, the Board of Supervisors had no objections to the proposals and reports submitted by the Board of Directors to Shareholders’ General Meeting and concluded that the Board of Directors had conscientiously implemented the relevant resolutions of Shareholders’ General Meeting.

Information on Senior Management

The President of the Bank is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors. Vice Presidents and other senior management shall assist the President’s work. The authority of Senior Management and the Board of Directors are separated strictly in accordance with corporate governance policies including the Articles of Association of the Bank.

The specialized committees under Senior Management of the Bank include: Budget Management Committee, Central Procurement Committee, Financial Examination Committee, Strategy Development Committee, Product and Innovation Committee, Comprehensive Financial Marketing Committee, Consumer Rights Protection Committee, Consumer Rights Protection Working Committee, Performance Management Committee, Corporate Annuity Management Committee, School Affair Committee of CGB Party School (Guangfa Training Institute), Internal Control Compliance and Risk Management Committee, Business Continuity Management Committee, Accountability Committee, Confidentiality Committee, Technology Management Committee, Cyber Security and Informatization Committee, Data Management and Control Committee, Non-performing Asset Disposal Approval Committee, Asset and Liabilities Management Committee, Credit Approval Committee, Investment Business Approval Committee, and Brand Building Committee.

Confirmation of the Bank's Annual Report 2022 by Directors and Senior Executives

We as Directors and Senior Executives of China Guangfa Bank Co., Ltd., have thoroughly understood and reviewed the Bank's Annual Report 2022, issue our opinions as follows:

- I. Operations of the Bank are in strict compliance with the Accounting Standards for Business Enterprises, the Accounting Regulations for Business Enterprises, the Accounting Regulations for Financial Enterprises and relevant provisions; and the Bank's Annual Report 2022 gives a fair view of financial position and operating results of the Bank for the reporting period.
- II. The Bank's financial statements for 2022 have been audited by PricewaterhouseCoopers Zhongtian LLP in accordance with China Standards on Auditing for Certified Public Accountants, which issued a standard unqualified auditor's report.
- III. We confirm that the information disclosed in the Bank's Annual Report 2022 is authentic, accurate and complete, and we confirm that there is no misrepresentation or misleading statement contained or material omission from it. We undertake individual and several liability for the authenticity, accuracy and completeness of its content.

Signatures of Directors and Senior Executives

Name	Name
Bai Tao	Wang Kai
Su Hengxuan	Zhang Di
Yang Dongwei	Liu Lixiao
Cai Chengwei	Liu Xiangyang
Chen Yachu	Guo Yunzhao
Chen Shimin	Zhao Xudong
Zheng Xiaolong	Chen Xiangrong
Li Guangxin	Lin Deming
Fang Qi	Li Xiaoshui

Documents Available for Inspection

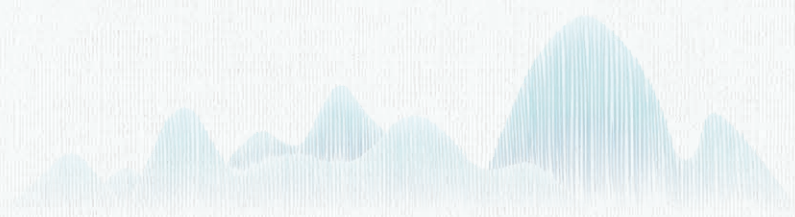
- I. Original copy of written confirmation of the Annual Report 2022 by Directors and Senior Executives of the Bank.
- II. Original copy of the auditor's report with Certified Public Accountant Firm's chop affixed, signed and sealed by Certified Public Accountants.
- III. Articles of Association of China Guangfa Bank Co., Ltd.



Building up
momentum through
integrated development,
the Bank will create new
prospects with joint
efforts



Leveraging comprehensive financial advantages of China Life Insurance Group, the Bank will seek synergies and mutual development with the insurance and investment sectors of the group. To achieve higher quality and more efficient synergies and stimulate endogenous growth, the Bank will continuously improve the quality of its financial products, and provide customers with high-quality and efficient one-stop services to establish itself as an open and integrated comprehensive bank. 



Auditor's Report



普华永道

Auditor's Report

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To the Board of Directors of China Guangfa Bank Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of China Guangfa Bank Co., Ltd. (hereinafter "the Bank"), which comprise:

- the consolidated and bank balance sheets as at 31 December 2022;
- the consolidated and bank income statements for the year then ended;
- the consolidated and bank statements of cash flows for the year then ended;
- the consolidated and bank statements of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Other Information

Management of the Bank is responsible for the other information. The other information comprises all of the information included in 2022 annual report of the Bank 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.

Auditor's Report (continued)

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Other Information (continued)

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 this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as 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 these financial statements, 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 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 Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 these 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.

Auditor's Report

Auditor's Report (continued)

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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




PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

楊尚


Yang Shangyuan

魯健


Signing CPA

Lu Jian

Shanghai, the People's Republic of China

26 April 2023

Consolidated Balance Sheet

As at 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		31 December 2022	31 December 2021
Assets			
Cash and due from central banks	1	201,911,645	331,312,342
Due from banks and other financial institutions	2	13,261,148	14,689,813
Precious metals		1,493,950	1,105,481
Placements with banks and other financial institutions	3	62,017,895	60,465,550
Derivative financial assets	4	11,891,950	17,080,294
Financial assets held under resale agreements	5	122,681,971	151,902,214
Loans and advances to customers	6	2,000,620,223	1,969,756,403
Financial investment			
– Financial assets held for trading	7	168,934,934	142,955,975
– Debt investments	8	460,772,399	408,086,317
– Other debt investments	9	319,798,875	210,227,708
– Investments in other equity instruments	10	2,348,781	2,114,302
Fixed assets	12	9,483,671	9,637,000
Construction in progress	13	1,841,662	1,359,972
Intangible assets	14	6,312,554	5,429,368
Right-of-use assets	15	4,978,435	5,346,731
Deferred tax assets	16	17,192,117	13,652,545
Other assets	17	12,362,022	14,862,531
TOTAL ASSETS		3,417,904,232	3,359,984,546

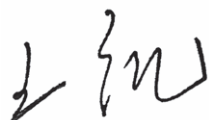
Consolidated Balance Sheet

As at 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Group	
		31 December 2022	31 December 2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to central banks		17,804,694	27,650,213
Due to banks and other financial institutions	19	372,539,205	524,142,226
Placements from banks and other financial institutions	20	65,057,041	62,817,384
Financial liabilities held for trading	21	134,228	14,566
Derivative financial liabilities	4	11,270,084	16,723,902
Financial assets sold under repurchase agreements	22	188,581,709	70,064,869
Customer deposits	23	2,169,898,457	2,094,773,205
Employee benefits payable	24	8,378,363	8,743,885
Taxes payable	25	9,076,905	4,946,162
Provisions	26	2,834,724	3,302,186
Lease liabilities	27	4,973,328	5,194,078
Bonds issued	28	291,719,133	282,749,134
Deferred tax liabilities	16	65	-
Other liabilities	29	13,786,916	24,361,981
Total liabilities		3,156,054,852	3,125,483,791

		The Group	
		31 December 2022	31 December 2021
VI			
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)			
Shareholders' equity			
Share capital	30	21,789,861	19,687,196
Other equity instruments	31	44,991,071	44,991,071
Capital reserve	32	53,315,958	37,050,086
Other comprehensive income	33	659,992	3,425,426
Surplus reserve	34	15,833,636	14,280,811
General reserve	35	40,659,845	38,099,646
Undistributed profits	36	84,599,017	76,966,519
Total shareholders' equity		261,849,380	234,500,755
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,417,904,232	3,359,984,546

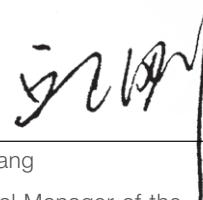
The accompanying notes form an integral part of these financial statements.
The financial statements on pages 153 to 350 signed by:



Wang Kai
Legal representative and
President



Li Xiaoshui (proposed)
Managing Vice President in
Charge of Finance



Qiu Gang
General Manager of the
Finance Department



China Guangfa Bank Co., Ltd.

Bank Balance Sheet

As at 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	31 December 2022	31 December 2021
Assets			
Cash and due from central banks	1	201,911,645	331,312,342
Due from banks and other financial institutions	2	13,030,831	9,638,340
Precious metals		1,493,950	1,105,481
Placements with banks and other financial institutions	3	62,017,895	60,465,550
Derivative financial assets	4	11,891,950	17,080,294
Financial assets held under resale agreements	5	122,681,971	151,902,214
Loans and advances to customers	6	2,000,620,223	1,969,756,403
Financial investment			
– Financial assets held for trading	7	167,556,022	142,955,975
– Debt investments	8	457,305,523	408,086,317
– Other debt investments	9	319,739,181	210,227,708
– Investments in other equity instruments	10	2,348,781	2,114,302
Long-term equity investments	11	5,079,000	5,000,000
Fixed assets	12	9,466,842	9,625,279
Construction in progress	13	1,841,662	1,359,972
Intangible assets	14	6,251,512	5,429,368
Right-of-use assets	15	4,939,723	5,292,445
Deferred tax assets	16	17,192,117	13,652,545
Other assets	17	12,283,128	14,829,714
TOTAL ASSETS		3,417,651,956	3,359,834,249

		The Bank	
		31 December 2022	31 December 2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
		17,804,694	27,650,213
Due to central banks			
Due to banks and other financial institutions	19	372,589,801	524,171,306
Placements from banks and other financial institutions	20	65,057,041	62,817,384
Financial liabilities held for trading	21	134,228	14,566
Derivative financial liabilities	4	11,270,084	16,723,902
Financial assets sold under repurchase agreements	22	188,581,709	70,064,869
Customer deposits	23	2,169,898,457	2,094,773,205
Employee benefits payable	24	8,342,024	8,714,614
Taxes payable	25	9,070,207	4,921,899
Provisions	26	2,833,091	3,300,553
Lease liabilities	27	4,934,586	5,141,061
Bonds issued	28	291,719,133	282,749,134
Other liabilities	29	13,828,810	24,361,851
Total liabilities		3,156,063,865	3,125,404,557

Bank Balance Sheet

As at 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
		31 December 2022	31 December 2021
VI			
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
Shareholders' equity			
Share capital	30	21,789,861	19,687,196
Other equity instruments	31	44,991,071	44,991,071
Capital reserve	32	53,315,958	37,050,086
Other comprehensive income	33	660,087	3,425,426
Surplus reserve	34	15,807,498	14,273,705
General reserve	35	40,464,845	38,099,646
Undistributed profits	36	84,558,771	76,902,562
Total shareholders' equity		261,588,091	234,429,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,417,651,956	3,359,834,249

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

Consolidated Income Statement

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2022	2021
Interest income		129,343,905	129,653,219
Interest expenses		(73,516,515)	(72,683,310)
Net interest income	37	55,827,390	56,969,909
Fee and commission income		17,484,703	15,550,903
Fee and commission expenses		(5,104,261)	(4,839,732)
Net fee and commission income	38	12,380,442	10,711,171
Investment income	39	8,534,483	7,256,181
Including: Income from the derecognition of financial assets measured at amortised cost		693,172	24,017
Gains/(Losses) arising from changes in fair value	40	(2,375,608)	(672,763)
Foreign exchange gains	41	642,016	433,534
Other operating income		63,074	56,387
Gains from disposals of assets	42	28,996	9,975
Other income	43	53,165	140,262
Revenue		75,153,958	74,904,656
Taxes and surcharges	44	(937,601)	(911,984)
Operating and administrative expenses	45	(26,513,790)	(27,265,839)
Impairment losses on assets		(28,696,348)	(25,485,025)
Including: Credit impairment losses	46	(28,753,167)	(25,476,171)
Other asset impairment losses		56,819	(8,854)
Other operating expenses		(1,055)	(13,117)
Operating expenses		(56,148,794)	(53,675,965)
Operating profit		19,005,164	21,228,691
Add: Non-operating income	47	105,586	177,569
Less: Non-operating expenses	47	(21,447)	(147,164)
Profit before income tax		19,089,303	21,259,096
Less: Income tax expenses	48	(3,561,049)	(3,782,712)
Profit for the year		15,528,254	17,476,384
– Attributable to shareholders of the Company		15,528,254	17,476,384
– Minority interests		–	–

Consolidated Income Statement

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2022	2021
Earnings per share			
– Basic and diluted earnings per share (in RMB)		0.62	0.78
Other comprehensive income, net of tax:	33	(2,765,434)	2,415,644
Items that may not be reclassified subsequently to profit or loss		(13,258)	(54,002)
1. Changes in fair value of investments in other equity instruments		(13,258)	(54,002)
Items that may be reclassified subsequently to profit or loss		(2,752,176)	2,469,646
1. Changes in fair value of other debt investments		(2,650,733)	2,166,240
2. Provision for credit impairment of other debt investments		165,937	68,663
3. Change in fair value of loans and advances to customers measured at fair value through other comprehensive income		(318,017)	106,309
4. Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income		(57,615)	152,815
5. Exchange differences on translation of financial statements and others		108,252	(24,381)
Total comprehensive income		12,762,820	19,892,028

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

Bank Income Statement

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	2022	2021
Interest income		129,249,957	129,651,746
Interest expenses		(73,521,477)	(72,797,568)
Net interest income	37	55,728,480	56,854,178
Fee and commission income		17,366,010	15,550,903
Fee and commission expenses		(5,263,721)	(4,848,289)
Net fee and commission income	38	12,102,289	10,702,614
Investment income	39	8,517,383	7,256,181
Including: Income from the derecognition of financial assets measured at amortised cost		693,172	24,017
Gains/(Losses) arising from changes in fair value	40	(2,368,950)	(672,763)
Foreign exchange gains	41	642,016	433,534
Other operating income		62,672	56,387
Gains from disposals of assets	42	28,996	9,975
Other income	43	30,565	128,262
Revenue		74,743,451	74,768,368
Taxes and surcharges	44	(934,768)	(911,922)
Operating and administrative expenses	45	(26,337,887)	(27,224,364)
Impairment losses on assets		(28,696,051)	(25,485,025)
Including: Credit impairment losses	46	(28,752,870)	(25,476,171)
Other asset impairment losses		56,819	(8,854)
Other operating expenses		(1,055)	(13,117)
Operating expenses		(55,969,761)	(53,634,428)
Operating profit		18,773,690	21,133,940
Add: Non-operating income	47	105,586	177,569
Less: Non-operating expenses	47	(21,422)	(147,164)
Profit before income tax		18,857,854	21,164,345
Less: Income tax expenses	48	(3,519,921)	(3,759,024)
Profit for the year		15,337,933	17,405,321

Bank Income Statement

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Bank	
		2022	2021
Earnings per share			
– Basic and diluted earnings per share (in RMB)		0.61	0.78
Other comprehensive income, net of tax:	33	(2,765,339)	2,415,644
Items that may not be reclassified subsequently to profit or loss		(13,258)	(54,002)
1. Changes in fair value of investments in other equity instruments		(13,258)	(54,002)
Items that may be reclassified subsequently to profit or loss		(2,752,081)	2,469,646
1. Changes in fair value of other debt investments		(2,650,662)	2,166,240
2. Provision for credit impairment of other debt investments		165,937	68,663
3. Change in fair value of loans and advances to customers measured at fair value through other comprehensive income		(318,017)	106,309
4. Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income		(57,615)	152,815
5. Exchange differences on translation of financial statements and others		108,276	(24,381)
Total comprehensive income		12,572,594	19,820,965

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2022		19,687,196	44,991,071	37,050,086	3,425,426	14,280,811	38,099,646	76,966,519	234,500,755
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	15,528,254	15,528,254
2. Other comprehensive income	33	-	-	-	(2,765,434)	-	-	-	(2,765,434)
Total comprehensive income		-	-	-	(2,765,434)	-	-	15,528,254	12,762,820
3. Capital contribution by equity owners		2,102,665	-	16,265,872	-	-	-	-	18,368,537
4. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,552,825	-	(1,552,825)	-
- Appropriation to general reserve	35	-	-	-	-	-	2,560,199	(2,560,199)	-
- Dividends	36	-	-	-	-	-	-	(1,771,515)	(1,771,515)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,552,825	2,560,199	(7,909,539)	(3,796,515)
5. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	-	-	-	-	-
6. Others		-	-	-	-	-	-	13,783	13,783
31 December 2022		21,789,861	44,991,071	53,315,958	659,992	15,833,636	40,659,845	84,599,017	261,849,380

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2021		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	17,476,384	17,476,384
2. Other comprehensive income	33	-	-	-	2,415,644	-	-	-	2,415,644
Total comprehensive income		-	-	-	2,415,644	-	-	17,476,384	19,892,028
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,747,638	-	(1,747,638)	-
- Appropriation to general reserve	35	-	-	-	-	-	3,108,509	(3,108,509)	-
- Dividends	36	-	-	-	-	-	-	(1,515,914)	(1,515,914)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,747,638	3,108,509	(8,397,061)	(3,540,914)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	69,453	-	-	(69,453)	-
5. Others		-	-	-	-	-	-	-	-
31 December 2021		19,687,196	44,991,071	37,050,086	3,425,426	14,280,811	38,099,646	76,966,519	234,500,755

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

Bank Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2022		19,687,196	44,991,071	37,050,086	3,425,426	14,273,705	38,099,646	76,902,562	234,429,692
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	15,337,933	15,337,933
2. Other comprehensive income	33	-	-	-	(2,765,339)	-	-	-	(2,765,339)
Total comprehensive income		-	-	-	(2,765,339)	-	-	15,337,933	12,572,594
3. Capital contribution by equity owners		2,102,665	-	16,265,872	-	-	-	-	18,368,537
4. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,533,793	-	(1,533,793)	-
- Appropriation to general reserve	35	-	-	-	-	-	2,365,199	(2,365,199)	-
- Dividends	36	-	-	-	-	-	-	(1,771,515)	(1,771,515)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,533,793	2,365,199	(7,695,507)	(3,796,515)
5. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	-	-	-	-	-
6. Others		-	-	-	-	-	-	13,783	13,783
31 December 2022		21,789,861	44,991,071	53,315,958	660,087	15,807,498	40,464,845	84,558,771	261,588,091

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2021		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	17,405,321	17,405,321
2. Other comprehensive income	33	-	-	-	2,415,644	-	-	-	2,415,644
Total comprehensive income		-	-	-	2,415,644	-	-	17,405,321	19,820,965
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,740,532	-	(1,740,532)	-
- Appropriation to general reserve	35	-	-	-	-	-	3,108,509	(3,108,509)	-
- Dividends	36	-	-	-	-	-	-	(1,515,914)	(1,515,914)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,740,532	3,108,509	(8,389,955)	(3,549,914)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	69,453	-	-	(69,453)	-
5. Others		-	-	-	-	-	-	-	-
31 December 2021		19,687,196	44,991,071	37,050,086	3,425,426	14,273,705	38,099,646	76,902,562	234,429,692

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2022	2021
Cash flows from operating activities			
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		117,870,410	31,428,099
Net increase in customer deposits and amounts due to banks and other financial institutions		–	295,590,176
Net decrease in amounts due from central banks, and due from banks and other financial institutions		10,029,606	2,687,901
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		–	42,063,846
Cash received from interest, fee and commission		133,211,042	133,637,468
Cash received relating to other operating activities		2,475,160	1,402,376
Sub-total of cash inflows		263,586,218	506,809,866
Net decrease in customer deposits and amounts due to banks and other financial institutions		(83,656,484)	–
Net decrease in amounts due to central banks		(9,328,000)	(64,800,000)
Net increase in loans and advances to customers		(55,831,895)	(240,767,996)
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		(19,735,153)	–
Net increase in financial assets held for trading		(33,250,424)	(10,425,490)
Cash paid for interest, fee and commission		(68,389,214)	(63,559,452)
Cash paid to and on behalf of employees		(16,592,664)	(14,927,702)
Payments of taxes and surcharges		(8,962,978)	(11,746,422)
Cash paid relating to other operating activities		(6,499,263)	(8,895,393)
Sub-total of cash outflows		(302,246,075)	(415,122,455)
Net cash flows (used in)/from operating activities	49	(38,659,857)	91,687,411

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2022	2021
Cash flows from investing activities			
Cash received from disposals of investments		199,024,737	387,331,534
Cash dividends received		93,655	44,437
Cash received from returns on investments		27,385,923	26,158,124
Net cash received from disposals of fixed assets and other assets		688,606	39,558
Sub-total of cash inflows		227,192,921	413,573,653
Cash paid to acquire investments		(356,098,167)	(427,842,390)
Cash paid to acquire fixed assets, intangible assets and other assets		(6,292,093)	(3,109,778)
Sub-total of cash outflows		(362,390,260)	(430,952,168)
Net cash flows used in investing activities		(135,197,339)	(17,378,515)
Cash flows from financing activities			
Cash received from capital contributions (Note VI. 30)		9,964,719	8,403,818
Cash received from issuance of bonds issued		372,616,972	453,226,419
Sub-total of cash inflows		382,581,691	461,630,237
Cash payments for distribution of dividends		(1,771,515)	(1,573,571)
Cash payments for debt		(365,549,155)	(391,049,155)
Interest paid on issuance of bonds issued		(7,240,607)	(8,912,355)
Cash payments for distribution of perpetual bond interest		(2,025,000)	(2,025,000)
Repayment of principal and interest on lease liabilities		(1,674,539)	(1,566,076)
Sub-total of cash outflows		(378,260,816)	(405,126,157)
Net cash flows from financing activities		4,320,875	56,504,080
Effect of foreign exchange rate changes on cash and cash equivalents		900,158	(1,725,355)
Net (decrease)/increase in cash and cash equivalents	49	(168,636,163)	129,087,621
Add: Cash and cash equivalents at the beginning of the year		347,690,023	218,602,402
Cash and cash equivalents at the end of the year	49	179,053,860	347,690,023

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

Bank Statement of Cash Flows

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Bank	
		2022	2021
Cash flows from operating activities			
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		117,870,410	31,428,099
Net increase in customer deposits and amounts due to banks and other financial institutions		–	295,618,564
Net decrease in amounts due from central banks, and due from banks and other financial institutions		5,760,501	1,957,006
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		–	42,063,846
Cash received from interest, fee and commission		132,882,603	133,514,140
Cash received relating to other operating activities		2,452,158	1,390,376
Sub-total of cash inflows		258,965,672	505,972,031
Net decrease in customer deposits and amounts due to banks and other financial institutions		(83,634,334)	–
Net decrease in amounts due to central banks		(9,328,000)	(64,800,000)
Net increase in loans and advances to customers		(55,831,895)	(240,767,996)
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		(19,735,153)	–
Net increase in financial assets held for trading		(32,960,825)	(10,425,490)
Cash paid for interest, fee and commission		(68,389,848)	(63,558,760)
Cash paid to and on behalf of employees		(16,482,403)	(14,922,233)
Payments of taxes and surcharges		(8,901,541)	(11,746,422)
Cash paid relating to other operating activities		(6,358,236)	(8,888,844)
Sub-total of cash outflows		(301,622,235)	(415,109,745)
Net cash flows (used in)/from operating activities	49	(42,656,563)	90,862,286

Bank Statement of Cash Flows

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Bank	
		2022	2021
Cash flows from investing activities			
Cash received from disposals of investments		193,863,079	387,331,534
Cash dividends received		93,655	44,437
Cash received from returns on investments		27,343,962	26,158,124
Net cash received from disposals of fixed assets and other assets		688,606	39,558
Sub-total of cash inflows		221,989,302	413,573,653
Cash paid to acquire investments		(346,417,711)	(427,842,390)
Cash paid to acquire fixed assets, intangible assets and other assets		(6,237,893)	(3,066,673)
Sub-total of cash outflows		(352,655,604)	(430,909,063)
Net cash flows used in investing activities		(130,666,302)	(17,335,410)
Cash flows from financing activities			
Cash received from capital contributions (Note VI. 30)		9,964,719	8,403,818
Cash received from issuance of bonds issued		372,616,972	453,226,419
Sub-total of cash inflows		382,581,691	461,630,237
Cash payments for distribution of dividends		(1,771,515)	(1,573,571)
Cash payments for debt		(365,549,155)	(391,049,155)
Interest paid on issuance of bonds issued		(7,240,607)	(8,912,355)
Cash payments for distribution of perpetual bond interest		(2,025,000)	(2,025,000)
Repayment of principal and interest on lease liabilities		(1,658,190)	(1,564,951)
Sub-total of cash outflows		(378,244,467)	(405,125,032)
Net cash flows from financing activities		4,337,224	56,505,205
Effect of foreign exchange rate changes on cash and cash equivalents		900,158	(1,725,355)
Net (decrease)/increase in cash and cash equivalents	49	(168,085,483)	128,306,726
Add: Cash and cash equivalents at the beginning of the year		346,909,128	218,602,402
Cash and cash equivalents at the end of the year	49	178,823,645	346,909,128

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

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

I General information

China Guangfa Bank Co., Ltd. (“the Bank”) (formerly known as Guangdong Develop Bank Co., Ltd) is a joint-stock commercial bank incorporated in Guangzhou Municipal of Guangdong Province in the People’s Republic of China (“the PRC”) on 8 September 1988 with the approval of the People’s Government of Guangdong Province and the People’s Bank Of China (“PBOC”). The Bank is established with special placement, and registered in Guangdong Province Administration for Industry and Commerce to obtain a legal person business license. The registered address is No. 713 Dongfeng East Road, Yuexiu District, Guangzhou.

With the approval of the China Banking Regulatory Commission on 27 January 2011, the Bank changed the name to “China Guangfa Bank Co., Ltd”. The Bank obtained an updated financial license on 16 February 2011, and an updated business license for enterprises on 18 February 2011.

As at 31 December 2022, apart from the Head Office, the Bank has 48 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi’an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Qingdao, Haikou, Macau Special Administration Region of the People’s Republic of China (“Macau”) and Hong Kong Special Administration Region of the People’s Republic of China (“Hong Kong”) respectively.

The Bank’s principal activities are the provision of corporate and retail deposits, loans, payment and settlement, treasury business and other financial services. The Bank mainly operates in Chinese mainland, Macau and Hong Kong.

For the purpose of the Financial Statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Chinese mainland.

As at 31 December 2022, the Bank has 1 subsidiary in total. “The Group” includes China Guangfa Bank Co., Ltd. and GuangYin Wealth Management Co., Ltd.

Subsidiaries included in the scope of consolidation are listed in Note VIII.

These financial statements were authorised for issue by the Bank’s Board of Directors on 26 April 2023.

II Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”).

The financial statements are prepared on a going concern basis.

III Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Group for the year ended 31 December 2022 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the company’s financial position as at 31 December 2022 and their financial performance, cash flows and other information for the year then ended.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates

1 Accounting year

The accounting period of the Group follows the Gregorian calendar year that starts from January 1 to December 31.

2 Recording currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Group’s domestic subsidiaries operate. Therefore, the Group’s domestic subsidiaries choose RMB as their recording currency. The Group’s foreign subsidiary chooses its recording currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

3 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or rates that approximate the spot exchange rates on the dates of transactions. A rate that approximates the spot exchange rate is determined by a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates at the date of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate as at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Other translation differences are recognised to profit or loss for the current period.

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders’ equity items, the items other than “undistributed profits” are translated at the spot exchange rates on the transaction dates. Items of income and expenses in the income statements are translated into RMB at the spot exchange rates or rates that approximate the spot exchange rates at the transaction dates. The resulting exchange differences are recognised in other comprehensive income. On disposals of overseas operations, the other comprehensive income relevant to the overseas operations will be transferred to profit or loss at disposal for the current period, which will be calculated based on disposal proportion.

4 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid monetary assets that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, which comprise cash and due from central banks with original maturity of less than 3 months, due from banks and other financial institutions, and placements with banks and other financial institutions and financial assets held under resale agreements.

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(1) Initial recognition, classification and measurement of financial instruments

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

In terms of financial assets purchased or sold in a regular way, an entity shall recognise the asset to be received and the liability to pay on the trade date or derecognise the asset that is sold and meanwhile recognise any gain or loss on disposal and a receivable from the buyer for payment on the trade date. The trade date is the date that the Group commits itself to purchase or sell a financial asset.

The financial assets or financial liabilities are measured at fair value at initial recognition. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets or financial liabilities are included in the initially recognised amounts, except for the financial assets or financial liabilities at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period.

Financial assets

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, the Group classifies financial assets as follows:

- (i) Financial assets at amortised cost;
- (ii) Financial assets at fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss.

The business model reflects how the Group manages its financial assets to generate cash flow, that is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and sell the financial assets. If neither of these is applicable, then the financial assets are classified as part of "other" business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the financial assets, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

Financial assets (continued)

Financial assets containing embedded derivatives shall be analysed as a whole when determining whether contractual cash flows are solely payments of principal and interest.

The Group's classification of debt instruments and equity instruments is as follows:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government bonds and corporate bonds. The classification and measurement of a debt instrument depend on: (i) the Group's business model for managing the financial assets; and (ii) the contractual cash flow characteristics of the financial assets.

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

- (i) Measured at amortised cost: If the objective of the business model is to hold the financial assets to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as at fair value through profit or loss, the financial assets are measured at amortised cost.
- (ii) Measured at fair value through other comprehensive income: If the objective of the business model is to hold the financial assets to both collect the contractual cash flows and sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as at fair value through profit or loss, the financial assets are measured at fair value through other comprehensive income.
- (iii) Measured at fair value through profit or loss: The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are at fair value through profit or loss.

At initial recognition, the financial assets are designated as at fair value through profit or loss if an accounting mismatch can be eliminated or significantly reduced. Once the designation is made, it cannot be revoked.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; An equity instrument is a contract that represents a residual interest in the assets of the issuer after deducting all of its liabilities, such as an ordinary share.

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition. Financial liabilities at fair value through profit or loss are applied to derivatives financial liabilities, financial liabilities held for trading and other financial liabilities designated at initial recognition as the financial liabilities which are measured at fair value through profit or loss.

At initial recognition, for the purpose of providing more relevant accounting information, the Group may designate a financial liability as a financial liability at fair value through profit or loss, provided that the designation satisfies one of the following conditions:

- (i) such designation eliminates or significantly reduces an accounting mismatch;
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management personnel on that basis within the group.
- (iii) financial liabilities contain one or more embedded derivatives which significantly modify the cash flows.

Financial liabilities are recognised when the transfer of financial assets does not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset does not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; the measurement of relevant liabilities is set out in Note IV. 5(7) "Derecognition of financial assets" in applying the continuing involvement approach.

(2) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and shall apply the reclassification prospectively from the reclassification date. The Group shall not adjust retrospectively any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

(3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on their classification:

Financial assets and financial liabilities at amortised cost

The amortised cost of a financial asset or financial liability shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) minus the cumulative loss provisions (only applicable to financial assets). The Group uses the effective interest method to calculate interest income and interest expenses on such assets and liabilities, which are presented as “interest income” and “interest expenses” respectively. Any gains or losses arising from derecognition, revision or impairment are recognised in profit or loss for the current period.

The effective interest method is a method to calculate amortised costs and interest income of financial assets at their effective interest rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial assets or shorter period, as applicable, are discounted to the carrying amount of the financial assets, without taking into impairment. When calculating the effective interest rate, the Group estimates future cash flows based on all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the expected credit loss (“ECL”) in estimated future cash flows.

Financial assets at fair value through other comprehensive income

Debt instruments

The interest income of such financial assets is recognised using the effective interest method. The interest income, impairment losses and foreign exchange differences are recognised in profit or loss for the current period. The remaining fair value changes are recognised in other comprehensive income. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to profit or loss for the current period.

Equity instruments

Investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. Dividend income is recognised and included in profit or loss for the current period when the Group's right to receive payment of the dividend is established.

Financial assets and financial liabilities at fair value through profit or loss

The financial assets are subsequently measured at fair value and all gains or losses arising therefrom are recognised in profit or loss.

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument financial assets carried at amortised cost and measured at fair value through other comprehensive income, some loan commitments and financial guarantee contracts.

ECL refers to the weighted average of credit losses on financial instruments with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted using original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e., the present value of all cash shortfalls). Purchased or originated credit-impaired financial assets of the Group should be discounted at the credit-adjusted effective interest rate of the financial assets.

The Group's measurement of ECL of a financial instrument reflects:

- (i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) The time value of money; and
- (iii) Reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions as at the balance sheet date.

For financial instruments included in the measurement of ECL, the Group applies "three stage" impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- (i) The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1.
- (ii) Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2. For details of criteria for judging significant increases in credit risk, please see Note XV. 2 "Credit risk".
- (iii) Financial instruments with credit impairment are classified to Stage 3. For definition of credit-impaired assets, please see Note XV. 2 "Credit risk".

The loss allowance for the financial instruments at Stage 1 is determined at the amount of ECLs on the financial instruments within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of ECLs on the financial instruments within the lifetime. For details of inputs, assumptions and estimates used in measuring ECL, please see Note XV. 2 "Credit risk".

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(5) *Impairment of financial instruments (continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current balance sheet date that the financial instrument no longer meets the condition that the credit risk has increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month ECL at the current balance sheet date. Reversal of loss allowance therefrom shall be recognised in profit or loss for the current period, as impairment gains, except for purchased or originated credit-impaired financial assets. At the current balance sheet date, the Group shall only recognise the cumulative changes in lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

(6) *Modification of financial assets*

If the Group amends or rearranges the contract with its counterparty, which does not result in the derecognition of the financial assets, but changes the cash flow of the contract, the Group shall evaluate whether the credit risk of the relevant financial instrument has increased significantly by comparing the risk of default of such assets after modification at the balance sheet date with the risk of default under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit or loss for the current period. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

(7) *Derecognition of financial assets*

A financial asset is derecognised when one of the following criteria is satisfied: (i) the contractual rights to receive the cash flows from the financial asset are expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

Under the condition that the financial asset has been transferred, if the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset and retains the control over the financial asset, related financial assets and liabilities are recognised to the extent of the Group's continuing involvement in the transferred financial asset.

On derecognition of financial assets, the difference between the considerations received together with the accumulated change of fair value originally recorded in other comprehensive income and the carrying amount of the financial assets transferred is recognised in profit or loss for the current period.

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(8) *Derecognition of financial liabilities*

Financial liabilities are derecognised entirely or partially only when the current obligation is discharged or partly discharged because the contractual obligation under the financial liability is discharged, cancelled or expires.

The difference between the carrying amount of the financial liability derecognised and the consideration paid by the Group (including the transferred non-cash assets and the arisen new financial liabilities) is recognised in profit or loss for the current period.

(9) *Equity instruments*

An equity instrument is the contract that represents a residual interest in the assets of an entity after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recognised according to the actual consideration received less transaction expenses directly attributable to equity transactions.

(10) *Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivative financial instruments, other than those related to hedge accounting, are included in profit or loss for the current period.

(11) *Offset of financial assets and financial liabilities*

When the Group has a legally enforceable right that is currently enforceable to set off the recognised financial assets and financial liabilities, and when the Group intends either to settle on a net basis or to realise the financial assets and settle the financial liabilities simultaneously, the amount after offsetting of financial assets and financial liabilities is presented in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and will not offset each other. The right of set-off shall not be dependent on future events and shall be enforceable by the Group in the ordinary course of operations of the Group and all counterparties, or in various circumstances such as default, insolvency or bankruptcy.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

5 Financial instruments (continued)

(12) *Financial assets held under resale agreements and financial assets sold under repurchase agreements*

In standard repurchase agreements, involving fixed repurchase dates and prices, the consideration paid for financial assets purchased under resale agreements is listed as financial assets held under resale agreements, and the corresponding purchased financial assets do not need to be recognised in the consolidated balance sheet (Note XII “Collateral”).

Financial assets transferred as collateral are not derecognised and they continue to be presented as financial assets classified prior to sale or loan, with the amounts received from counterparties presented as financial assets sold under repurchase agreements. Items that have not been derecognised are disclosed in Note XII “Collateral”.

The bid-ask spread for financial assets held under resale agreements and financial assets sold under repurchase agreements shall be amortised using the effective interest rate method during the agreement period. Gains or losses generated are recognised in profit or loss for the current period.

6 Precious metals

Precious metals mainly include gold.

Precious metals that are not related to the Group’s precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. The Group’s precious metals held for trading are initially and subsequently measured at fair value and changes in fair value are recorded in profit or loss for the current period.

7 Long-term equity investments

Long-term equity investments include the Bank’s long-term equity investments in subsidiaries.

Subsidiaries

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are presented in the Company’s financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Except for cash paid or cash dividends or appropriation of profits declared but not yet distributed that have been included in the consideration in obtaining the investments, cash dividend or appropriation of profit declared by the investees is recognised as investment income in profit or loss for the current period.

IV Summary of significant accounting policies and accounting estimates (continued)

8 Fixed assets

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets are initially measured at cost and the expected discard expenses are taken into account. The costs of purchase of fixed assets include purchase price, related taxes and any directly attributable expenditure incurred before the assets are ready for their intended use.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 – 35 years	3% – 5%	2.7% – 3.2%
Computers and electronic equipment	5 years	3% – 5%	19% – 19.4%
Motor vehicles and other equipment	5 years	3% – 5%	19% – 19.4%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

9 Construction in progress

Construction in progress includes necessary construction expenses and other related expenses incurred during the construction period, and are recognised based on actual construction expenditure. When a construction in progress is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortisation is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

10 Intangible assets

Intangible assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Intangible assets are recognised initially at cost.

Useful lives of intangible assets are determined based on the terms of bringing economic benefits to the Group. Intangible assets with terms of bringing economic benefits to the Group unforeseen are intangible assets with indefinite useful lives.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

10 Intangible assets (continued)

The useful lives of intangible assets are as follows:

	Estimated useful lives	Annual depreciation rates
Land use rights	30 – 50 years	2.00% – 3.33%
Computer software	5 years	20%
Other intangible assets	5 years	20%

The land use rights acquired by the Group are generally accounted for as intangible assets. Relevant land use rights and buildings of the self-constructed plant are accounted for as the intangible assets and fixed assets. If the costs paid for the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the costs are recognised as fixed assets.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period.

11 Foreclosed assets

The Group's repossessed financial assets are initially measured at fair value. Relevant transaction fees such as tax fees and advance litigation fees payable for obtaining the assets are included into the profit or loss for the current period or recognised at initially recorded value according to the type of financial asset. Non-financial repossessed assets are initially measured at fair value of the waived claims and other costs such as taxes that are directly attributable to the assets. On the balance sheet date, non-financial foreclosed assets are measured at the lower of the carrying amount and the net realisable value. When the net realisable value is lower than the carrying amount, provision for impairment is made.

12 Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

13 Impairment of non-financial assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets with indefinite useful life and intangible assets not ready for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs to sell and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

IV Summary of significant accounting policies and accounting estimates (continued)

14 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(2) Post-employment benefits

The Group's post-employment benefits mainly include basic pensions, unemployment insurance and enterprise annuity, all of which belong to the defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Enterprise annuity

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in the Annuity Plan. The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the profit or loss for the current period when it incurs. The Group's contributions to the Annuity Plan are made at fixed amounts. If the annuity fund is insufficient to pay for the future retirement benefits of its staff, the Group is not bound to inject more funds. For overseas branches, the Annuity Plan is implemented in accordance with local laws and regulations.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

14 Employee benefits (continued)

(3) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss for the current period in which they occur.

15 Provisions

Provisions related to a contingency are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Loss provision for financial guarantee contracts and provision for loan commitments which are recognised on the basis of ECL are presented as provisions.

IV Summary of significant accounting policies and accounting estimates (continued)

16 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for the temporary differences resulting from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for a temporary difference arising from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same taxpayer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

17 Recognition of income and expenses

(1) Interest income and expenses

Interest income and expenses on financial instruments are calculated using the effective interest method and recognised in profit or loss for the current period.

Please refer to Note IV. 5 “Financial instruments” for the accounting policies related to the interest income and interest expenses of financial assets and financial liabilities.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

17 Recognition of income and expenses (continued)

(2) Fee and commission income

Fee and commission income is recognised when the Group fulfils the contract performance obligation, namely at a point in time or in the period of time the customer obtains the control over relevant services.

For a contract obligation at a point in time, the Group recognises the revenue when a customer is in control of the underlying services. For a contract obligation satisfied over time, the Group recognises the revenue based on the progress of the obligation fulfilment within that period of time.

Contract assets refer to the rights to receive considerations for transferring commodities or services to the customer, and such rights depend on factors other than the passage of time. New financial instrument standards are applicable for impairment of contract assets. Reversely, receivables refer to the Group's unconditional right to collect consideration from customers, and the right only depends on one factor, the passage of time.

Contract liability refers to the obligation of the Group to transfer goods or services to customers according to consideration received or receivable.

Contract assets and contract liabilities under the same contract are presented on a net basis.

18 Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets (however, a government grant measured at a nominal amount is recognised directly in profit or loss for the current period). Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related profit or loss for the current period; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss for the current period, or deducted against related costs, expenses or losses directly in current period.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

IV Summary of significant accounting policies and accounting estimates (continued)

19 Fiduciary activities

Generally, the Group acts as agent, custodian or in any other fiduciary capacity to manage assets on behalf of the customer based on the agent agreements entered into with securities investment funds, wealth management products, insurance companies, trust companies, eligible overseas institutional investors, securities companies and other institutions. The Group provides services and charges fees only based on the agent agreement, but does not assume any risk or interest arising from the assets it manages on behalf of the customer. Such assets are not recognised in the balance sheet of the Group.

The Group also runs entrusted loan business. According to the entrusted loan contract, as the intermediary, the Group grants loans to the borrowers based on the targeted borrowers, purpose, amounts, interest rate and repayment plans determined by the trustor. The Group is responsible for arranging and collecting the entrusted loans, and charges fees for the services it provides, but does not assume any risk or interest arising from the entrusted loans. The entrusted loans and entrusted loan funds are not recognised in the balance sheet of the Group.

20 Loan commitments and financial guarantee contracts

The loan commitments provided by the Group are assessed for impairment on the basis of ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions for ECLs at the balance sheet date, and (ii) the amount initially recognised less the cumulative amortisation recognised in accordance with the guidance for revenue recognition.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for an instrument that includes both loans and unused commitments, and the ECL of loans cannot be distinguished from that of unused commitments by the Group, the loss provisions for both loans and unused commitments should be presented in the loss provisions for loans. However, if the total loss provisions surpass the book balance of the loans, the loss provisions should be presented in the provisions.

21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability can be an unrecognised present obligation caused by past events, because it will probably not cause any outflow of economic benefits or the amount of the obligation cannot be measured reliably. Instead of recognising such obligations, the Group only discloses commitments in Note XI to the financial statements. The Group will recognise them in provisions if they meet the recognition criteria for provisions.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

22 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and recognises the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option, etc. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss for the current period as incurred.

Right-of-use assets of the Group mainly comprise leased buildings, machinery and equipment, and motor vehicles. Right-of-use assets are initially measured at cost which comprises the amount of the initial measurement of lease liabilities, lease payments made at or before the commencement date, initial direct costs, costs to be incurred by the Group as lessee in accordance with the *CAS 13 – Contingencies* for dismantling and removing the lease asset, restoring the site on which it is located or restoring the lease asset to the condition required by the terms and conditions of the lease, but excludes those costs are incurred to produce inventories and any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes are accounted for by applying the practical expedient allowed by the Ministry of Finance. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

IV Summary of significant accounting policies and accounting estimates (continued)

22 Leases (continued)

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

For a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

23 Appropriation of profit

Proposed appropriation of profit is recognised as a liability in the period in which it is approved by the Board of Directors/the shareholders' meeting.

24 Business combinations

(1) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combinations are included in the initially recognised amounts of the equity or debt securities.

(2) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combinations are included in the initially recognised amounts of the equity or debt securities.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

25 Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Bank, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Bank and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Bank. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in preparing the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' profit or loss for the year and comprehensive income for the period not attributable to the Bank are recognised as minority interests, profit or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under owners' equity, profit for the year and total comprehensive income respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sale of assets by the Bank to its subsidiaries are fully eliminated against profit for the year attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Bank are eliminated and allocated between profit for the year attributable to owners of the parent company and profit or loss attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between profit for the year attributable to owners of the parent and profit or loss attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Bank or its subsidiary level, adjustment will be made from the perspective of the Group.

26 Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

IV Summary of significant accounting policies and accounting estimates (continued)

27 Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(1) Critical judgements in applying the accounting policies

(a) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include analysis on business models and contractual cash flow characteristics.

The Group determines the business model for financial asset management at the level of different groups, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and management methods for such risks, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in timing or amount of the principal during the duration due to reasons such as early repayment; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the amount of prepayment only reflects the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation due to the early termination of the contract.

(b) Criteria for judging significant increases in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30 days, or whether one or more of the following conditions are met: the debtor is classified into Special Mention category in five-tier loan classification, the debtor becomes involved in extension or rollover of problematic loans, or the debtor's probability of default has increased significantly since the initial recognition date and it is currently up against a lower internal rating, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 days (i.e., a default has occurred), or whether one or more of the following conditions are met: the debtor is classified into Substandard in five-tier loan classification, or the debtor is classified into default category in internal rating, etc.

(2) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Measurement of ECL

The Group calculates ECL through exposure at default and ECL rates, and determines the ECL rates based on probability of default and loss given default. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts historical data based on current conditions and forward-looking information. Please refer to Note XV. 2 "Credit risk".

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IV Summary of significant accounting policies and accounting estimates (continued)

27 Critical accounting estimates and judgements (continued)

(2) Critical accounting estimates and key assumptions (continued)

(b) Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of prices of recent transactions or similar financial instruments, discounted cash flow analysis and generally accepted pricing models, etc. Models for the valuation of fair value use actual market observable inputs and data, such as interest yield curves, foreign exchange rates and option volatilities. When market observable inputs are not available, the Group uses calibrated assumptions as close as possible to market observable data. Besides, management is required to make estimates of the Group's and counterparties' exposure to credit risk, liquidity, market volatility and correlation, and changes in these assumptions may affect the fair value of financial instruments.

(c) Consolidation of structured entities

When acting as the asset manager or an investor of a structured entity, the Group needs to make significant judgements on whether to take control over the structured entity and include it into the consolidation scope. The Group evaluates its contractual rights and obligations under the transaction structure as well as its rights over the structured entities, and performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned and residual income retained by the Group as the asset manager, and, if any, liquidity and other support provided to the structured entities. Besides, the Group performs judgement on whether it acts as a principal or an agent in structured entity transactions, including analysis and evaluation on the scope of its decision-making rights over the structured entities, rewards for its asset management services, risks assumed for the variable returns from other interests in the structured entities, and substantial rights held by other engaged parties.

(d) Income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax in each of these jurisdictions. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

A deferred tax asset is recognised for the carry forward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred tax assets.

IV Summary of significant accounting policies and accounting estimates (continued)

27 Critical accounting estimates and judgements (continued)

(2) Critical accounting estimates and key assumptions (continued)

(e) Derecognition of transfer of financial assets

During the ordinary course of business, the Group transfers financial assets in the form of regular transaction, asset securitisation, repurchase agreements and securities lending. Significant judgements and estimates are required from the Group when determining whether the financial assets transferred can be fully or partly derecognised.

Where the Group transfers financial assets to special purpose entities through structured transactions, it is required to analyse and evaluate whether the relationship between the Group and the special purpose entities essentially indicates a control over the special purpose entities, so as to determine the necessity of consolidation. The derecognition analysis at the level of the consolidated entity or at the level of an individual entity that transfers out financial assets depends on the judgement on whether to perform consolidation.

The Group needs to analyse its rights and obligations in contractual cash flows related to the transfer of a financial asset, and determines whether they are qualified for derecognition based on the following judgements:

- Whether the rights for receiving contractual cash flows are transferred; or whether the contractual cash flows are transferred to an independent third party in accordance with the “pass-through” requirements.
- Evaluation on the transfer extent on the risks and rewards of ownership of the financial asset. The Group applies critical accounting estimates and judgements when estimating the cash flows before and after the transfer and other factors affecting the transfer extent on the risks and rewards.
- If the Group neither transfers nor retains almost all risks and rewards of ownership of the financial asset, it will continue to analyse and evaluate whether to transfer its control over the financial asset, and whether to maintain the continuing involvement in the transferred financial asset. When evaluating whether to transfer its control over a financial asset, the Group performs analysis on whether the transferee has the essential ability to sell the asset transferred, which means whether the transferee is able to sell the asset to a non-related third party as a whole on condition that the transferee can implement this capability unilaterally without any additional restriction. If the Group has transferred the control over the financial asset, the financial asset shall be derecognised, and the relevant assets or liabilities will be recognised based on the rights and obligations incurred from the transfer of the financial asset. If the Group has not transferred the control over the financial asset, the Group will continue to recognise the relevant financial asset to the extent of its continuing involvement in the transferred asset.

28 Significant changes in accounting policies

The Ministry of Finance released the *Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises* (hereinafter “Interpretation No. 15”) in 2021 and *Q&A on Implementation of Accounting Standards for Business Enterprises* in 2022, etc. The financial statements for the year ended 31 December 2022 have been prepared by the Group in accordance with the above circulars and Q&A, and the above amendments have no significant impacts on the financial statements of the Group.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

V Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	25%	Taxable income
Value-added tax ("VAT") (b)	6%, 9% and 13%	Taxable value-added amount (Tax payable is calculated using the taxable sale amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax (c)	1%, 5% and 7%	The payment amount of VAT and consumption tax
Educational surcharge (d)	3%	The payment amount of VAT and consumption tax
Local educational surcharge (d)	2%	The payment amount of VAT and consumption tax

- (a) Pursuant to the *Enterprise Income Tax Law of the People's Republic of China*, enterprise income tax for domestic operations of the Group is calculated at 25% based on the taxable income.

Enterprise income taxes for the overseas operations of the Group are paid to local authorities at the local rates. The shortfall arising from the differential in income tax rates of overseas operations and domestic operations shall be reported and paid by the PRC head office based on relevant tax law.

Pre-tax deduction items of enterprise income tax are governed by the relevant regulations of the PRC.

- (b) Revenue from loan service, direct charge of financial services, insurance service, financial product transfer of the Group is subject to VAT at the rate of 6%.

According to the *Circular on Value-added Tax Policies on Finance, Real Estate Development and Education Services* (Cai Shui [2016] No. 140), *Supplementary Notice on Issues Concerning the VAT on Asset Management Products* (Cai Shui [2017] No. 2) and *Notice on Issues Concerning the VAT on Asset Management Products* (Cai Shui [2017] No. 56) issued by the Ministry of Finance and the State Taxation Administration, VAT taxable activities by manager of asset management products ("AMPs") occurred in the operation of asset management products are subject to VAT levied at a rate of 3% by simple approach since 1 January 2018 (inclusive).

The Group's related interest income, fee and commission income, revenue from financial product transfer and insurance service are presented on a net basis after deducting applicable VAT.

- (c) The Group's domestic subsidiaries pay city maintenance and construction tax at 1%, 5% or 7% of the payment of VAT.
- (d) The Group's domestic subsidiaries pay educational surcharge and local education surcharge at 3% and 2% of the payment of VAT respectively.

VI Notes to the financial statements

1 Cash and due from central banks

	The Group and the Bank	
	31 December 2022	31 December 2021
Cash on hand	3,237,716	3,594,800
Statutory deposit reserves due from central banks (i)	162,751,767	167,263,834
Surplus deposit reserves due from central banks (ii)	35,704,489	160,170,618
Fiscal deposits due from central banks	133,474	194,961
Sub-total	201,827,446	331,224,213
Accrued interest	84,199	88,129
Total	201,911,645	331,312,342

- (i) The Group and the Bank place statutory deposit reserves at the PBOC, the Monetary Authority of Hong Kong and the Monetary Authority of Macau. Pursuant to relevant laws and regulations, the statutory deposit reserves are not available for the Group's and the Bank's daily business.

As at each balance sheet date, the statutory deposit reserve ratios were as follows:

	The Group and the Bank	
	31 December 2022	31 December 2021
Reserve ratio for Renminbi deposits	7.50%	8.00%
Reserve ratio for foreign currency deposits	6.00%	9.00%
Reserve ratio for Renminbi deposits outside the Chinese mainland	7.50%	9.00%

The amount of statutory deposit reserve funds placed with the Monetary Authority of Hong Kong and Macau by Hong Kong and Macau branch is determined by the local jurisdiction.

- (ii) The surplus deposit reserves refer to the funds placed at the PBOC for the purposes of clearing.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

2 Due from banks and other financial institutions

	The Group	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	5,699,657	10,744,149
Other financial institutions operating in the Chinese mainland	962,605	1,045,596
Banks operating outside the Chinese mainland	6,599,850	2,898,483
Other financial institutions operating outside the Chinese mainland	338	248
Sub-total	13,262,450	14,688,476
-----	798	2,710
Accrued interest	798	2,710
Total	13,263,248	14,691,186
Less: Provision for ECL (Note VI. 18)	(2,100)	(1,373)
Carrying amount	13,261,148	14,689,813

	The Bank	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	5,469,442	5,694,149
Other financial institutions operating in the Chinese mainland	962,605	1,045,596
Banks operating outside the Chinese mainland	6,599,850	2,898,483
Other financial institutions operating outside the Chinese mainland	338	248
Sub-total	13,032,235	9,638,476
-----	669	1,237
Accrued interest	669	1,237
Total	13,032,904	9,639,713
Less: Provision for ECL (Note VI. 18)	(2,073)	(1,373)
Carrying amount	13,030,831	9,638,340

VI Notes to the financial statements (continued)

3 Placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	3,237,277	21,830,394
Other financial institutions operating in the Chinese mainland	58,828,681	38,279,000
Banks operating outside the Chinese mainland	69,646	637,570
Sub-total	62,135,604	60,746,964
-----	-----	-----
Accrued interest	434,201	288,311
Total	62,569,805	61,035,275
Less: Provision for ECL (Note VI. 18)	(551,910)	(569,725)
Carrying amount	62,017,895	60,465,550

4 Derivative financial assets and derivative financial liabilities

The Group enters into derivative financial instruments related to exchange rate, interest rate and precious metal for the purpose of trading, asset and liability management and handling on behalf of customers.

The contractual/nominal amounts and fair value of the derivative financial instruments held by the Group at the balance sheet date are presented in the table below. The contractual/nominal amounts of the derivative financial instruments only work as basis for comparing the fair value of assets or liabilities recognised in the balance sheet, not for the purpose of representing the future cash flows or current fair value involved, and therefore do not reflect the credit risk or market risk assumed by the Group. With the fluctuation of the market interest rate, foreign exchange rate or precious metal price related to derivative financial instrument contract terms, the valuation of derivative financial instruments may cast favourable (for assets) or adverse (for liabilities) effects on the Group, and such effects may fluctuate heavily in different periods.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group does not offset such financial assets or financial liabilities. As at 31 December 2022 and 31 December 2021, other than derivative financial instruments, the Group had no other financial assets or financial liabilities to which netting arrangements or similar agreements apply.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

4 Derivative financial assets and derivative financial liabilities (continued)

(1) Analysed by type of derivative contracts

	The Group and the Bank		
	31 December 2022		
	Nominal amounts	Fair value	
Assets		Liabilities	
<i>Derivative financial instruments held for trading</i>			
Foreign exchange derivatives	379,121,988	4,854,424	(4,603,351)
Interest rate derivatives	1,661,618,000	5,829,541	(5,906,219)
Other derivatives	88,633,850	1,207,985	(760,514)
Total	2,129,373,838	11,891,950	(11,270,084)

	The Group and the Bank		
	31 December 2021		
	Nominal amounts	Fair value	
Assets		Liabilities	
<i>Derivative financial instruments held for trading</i>			
Foreign exchange derivatives	415,019,785	3,510,012	(3,011,472)
Interest rate derivatives	1,876,392,000	10,982,571	(11,023,530)
Other derivatives	155,367,200	2,587,711	(2,688,900)
Total	2,446,778,985	17,080,294	(16,723,902)

(2) Analysed by the credit risk-weighted assets of counterparty

The nominal amounts of the derivative financial instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. The credit risk-weighted amount depends on the status of the counterparty and the maturity characteristics of the instrument. The amounts have taken into account the effects of bilateral netting arrangements.

Counterparty credit risk-weighted amounts are determined in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*, covering default risk-weighted assets of counterparties and credit valuation adjustment risk – weighted assets.

VI Notes to the financial statements (continued)

4 Derivative financial assets and derivative financial liabilities (continued)

(2) Analysed by the credit risk-weighted assets of counterparty (continued)

Since 1 January 2019, the Group has calculated the exposure of derivatives according to the *Circular on the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives* and the supporting rules issued by the China Banking and Insurance Regulatory Commission (the "CBIRC").

	The Group and the Bank	
	31 December 2022	31 December 2021
Default risk-weighted assets of counterparties		
Foreign exchange derivatives	1,269,877	2,162,316
Interest rate derivatives	287,518	369,713
Other derivatives	2,333,914	5,341,732
Sub-total	3,891,309	7,873,761
Credit value adjustment risk-weighted assets	386,758	351,948
Total	4,278,067	8,225,709

5 Financial assets held under resale agreements

	The Group and the Bank	
	31 December 2022	31 December 2021
Bonds		
– Policy banks bonds	102,406,862	130,052,193
– Chinese government bonds	20,178,786	21,741,975
Sub-total	122,585,648	151,794,168
Notes	403,313	403,313
Accrued interest	96,323	108,046
Total	123,085,284	152,305,527
Less: Provision for ECL (Note VI. 18)	(403,313)	(403,313)
Carrying amount	122,681,971	151,902,214

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

6 Loans and advances to customers

(1) Analysis by measurement

	The Group and the Bank	
	31 December 2022	31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	871,763,760	872,672,439
Residential mortgages loans	284,844,741	279,927,210
Credit card receivables	439,688,628	452,345,153
Other personal loans	178,293,772	170,678,437
Personal loans and advances	902,827,141	902,950,800
Sub-total	1,774,590,901	1,775,623,239
Loans and advances to customers measured at fair value through other comprehensive income		
Discount	275,415,821	240,883,672
Total	2,050,006,722	2,016,506,911
Accrued interest	6,086,623	5,872,571
Gross loans and advances to customers	2,056,093,345	2,022,379,482
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(55,473,122)	(52,623,079)
Carrying amount of loans and advances to customers	2,000,620,223	1,969,756,403
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(331,171)	(407,990)

VI Notes to the financial statements (continued)**6 Loans and advances to customers (continued)***(2) Analysed by type of collateral*

	The Group and the Bank	
	31 December 2022	31 December 2021
Unsecured loans	821,311,366	807,244,480
Guaranteed loans	591,724,635	553,240,904
Loans secured by collateral	561,000,988	563,520,603
Pledged loans	75,969,733	92,500,924
Total	2,050,006,722	2,016,506,911
Accrued interest	6,086,623	5,872,571
Gross loans and advances to customers	2,056,093,345	2,022,379,482
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(55,473,122)	(52,623,079)
Carrying amount of loans and advances to customers	2,000,620,223	1,969,756,403
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(331,171)	(407,990)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

6 Loans and advances to customers (continued)

(3) Analysed by industry

	The Group and the Bank			
	31 December 2022		31 December 2021	
	Gross balance	Percentage %	Gross balance	Percentage %
Corporate loans and advances				
– Manufacturing	165,659,395	8.06	147,457,090	7.29
– Leasing and commercial service	127,032,380	6.18	127,497,464	6.30
– Water, environment and public utilities management	121,079,073	5.89	129,286,979	6.39
– Real estate	116,172,584	5.64	153,359,417	7.58
– Wholesale and retail trade	93,839,214	4.56	84,257,908	4.17
– Construction	71,077,178	3.46	59,764,958	2.96
– Transportation, logistics and postal services	54,270,993	2.64	52,089,218	2.58
– Production and supply of electricity, heat, gas and water	38,575,677	1.88	25,890,737	1.28
– Mining	21,423,237	1.04	34,819,453	1.72
– Others	62,634,029	3.05	58,249,215	2.88
Sub-total	871,763,760	42.40	872,672,439	43.15
Discount	275,415,821	13.40	240,883,672	11.91
Personal loans and advances	902,827,141	43.90	902,950,800	44.65
Total	2,050,006,722	99.70	2,016,506,911	99.71
Accrued interest	6,086,623	0.30	5,872,571	0.29
Gross loans and advances to customers	2,056,093,345	100.00	2,022,379,482	100.00
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(55,473,122)		(52,623,079)	
Carrying amount of loans and advances to customers	2,000,620,223		1,969,756,403	
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(331,171)		(407,990)	

VI Notes to the financial statements (continued)**6 Loans and advances to customers (continued)****(4) Analysed by geographical sector**

	The Group and the Bank			
	31 December 2022		31 December 2021	
	Gross balance	Percentage	Gross balance	Percentage
		%		%
Head Office	508,836,583	24.75	518,736,132	25.66
Pearl River Delta	486,941,810	23.68	469,443,969	23.21
Yangtze River Delta	355,254,757	17.28	348,078,530	17.21
Central and Western	401,880,921	19.55	385,293,169	19.05
Bohai Rim	270,886,686	13.17	273,648,065	13.53
Overseas	26,205,965	1.27	21,307,046	1.05
Total	2,050,006,722	99.70	2,016,506,911	99.71
Accrued interest	6,086,623	0.30	5,872,571	0.29
Gross loans and advances to customers	2,056,093,345	100.00	2,022,379,482	100.00
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(55,473,122)		(52,623,079)	
Carrying amount of loans and advances to customers	2,000,620,223		1,969,756,403	
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(331,171)		(407,990)	

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

6 Loans and advances to customers (continued)

(5) Overdue loans and advances analysed by type of collateral and overdue period

	The Group and the Bank				
	31 December 2022				
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Pledged loans	22,687	1,674,087	72,924	334,031	2,103,729
Loans secured by collateral	3,523,500	7,599,146	4,146,671	160,244	15,429,561
Guaranteed loans	1,104,052	2,885,487	3,971,391	93,938	8,054,868
Unsecured loans	9,437,839	6,572,768	822,339	173,613	17,006,559
Total	14,088,078	18,731,488	9,013,325	761,826	42,594,717

	The Group and the Bank				
	31 December 2021				
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Pledged loans	253,756	96,693	338,364	86,498	775,311
Loans secured by collateral	3,756,610	3,464,582	978,744	230,344	8,430,280
Guaranteed loans	2,038,969	5,282,791	2,919,736	145,905	10,387,401
Unsecured loans	8,224,671	5,948,780	354,904	52,245	14,580,600
Total	14,274,006	14,792,846	4,591,748	514,992	34,173,592

Overdue loans represent loans of which the whole or part of the principal or interest was overdue for one day or more.

VI Notes to the financial statements (continued)

6 Loans and advances to customers (continued)

(6) Analysed by assessment on provision for impairment

	The Group and the Bank			
	31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Principal of loans and advances to customers	1,922,180,131	85,018,367	42,808,224	2,050,006,722
Less: Provision for impairment of loans and advances to customers measured at amortised cost	(15,501,508)	(13,547,178)	(26,424,436)	(55,473,122)
Loans and advances to customers, net	1,906,678,623	71,471,189	16,383,788	1,994,533,600
Accrued interest	5,838,785	218,806	29,032	6,086,623
Carrying amount of loans and advances to customers	1,912,517,408	71,689,995	16,412,820	2,000,620,223
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income	(318,027)	(12,844)	(300)	(331,171)

	The Group and the Bank			
	31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Principal of loans and advances to customers	1,925,696,566	58,169,749	32,640,596	2,016,506,911
Less: Provision for impairment of loans and advances to customers measured at amortised cost	(17,335,365)	(13,243,813)	(22,043,901)	(52,623,079)
Loans and advances to customers, net	1,908,361,201	44,925,936	10,596,695	1,963,883,832
Accrued interest	5,659,842	179,024	33,705	5,872,571
Carrying amount of loans and advances to customers	1,914,021,043	45,104,960	10,630,400	1,969,756,403
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income	(397,515)	(10,475)	-	(407,990)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

6 Loans and advances to customers (continued)

(7) Movements of provision for impairment of loans and advances to customers

	The Group and the Bank			
	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	(17,335,365)	(13,243,813)	(22,043,901)	(52,623,079)
Increase in the current year	(8,240,789)	(8,332,439)	(32,287,820)	(48,861,048)
Reversal in the current year	8,664,487	5,249,758	6,391,496	20,305,741
Write-offs and disposals in the current year	-	-	30,220,185	30,220,185
Recovery after write-off	-	-	(4,514,921)	(4,514,921)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	1,328,541	(1,328,541)	-	-
Transfer from Stage 1 to Stage 3	687,458	-	(687,458)	-
Transfer from Stage 2 to Stage 1	(550,309)	550,309	-	-
Transfer from Stage 2 to Stage 3	-	3,588,391	(3,588,391)	-
Transfer from Stage 3 to Stage 2	-	(30,843)	30,843	-
Transfer from Stage 3 to Stage 1	(55,531)	-	55,531	-
Ending balance	(15,501,508)	(13,547,178)	(26,424,436)	(55,473,122)

VI Notes to the financial statements (continued)**6 Loans and advances to customers (continued)****(7) Movements of provision for impairment of loans and advances to customers (continued)**

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)
Increase in the current year	(10,150,072)	(10,623,609)	(27,098,794)	(47,872,475)
Reversal in the current year	10,537,819	3,762,709	10,104,551	24,405,079
Write-offs and disposals in the current year	-	-	24,279,500	24,279,500
Recovery after write-off	-	-	(4,027,169)	(4,027,169)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	1,520,788	(1,520,788)	-	-
Transfer from Stage 1 to Stage 3	838,403	-	(838,403)	-
Transfer from Stage 2 to Stage 1	(299,252)	299,252	-	-
Transfer from Stage 2 to Stage 3	-	1,359,217	(1,359,217)	-
Transfer from Stage 3 to Stage 2	-	(38,788)	38,788	-
Transfer from Stage 3 to Stage 1	(177,588)	-	177,588	-
Ending balance	(17,335,365)	(13,243,813)	(22,043,901)	(52,623,079)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

6 Loans and advances to customers (continued)

(8) Movements in gross carrying amount of loans

Changes in principal of loans and advances to customer resulting in significant impact on the Bank's provision for impairment in 2022 mainly include:

In 2022, the Bank newly issued a loan principal at Stage 1 of RMB802,220 million (2021: RMB896,859 million), and recovered the loan principal at Stage 1 of RMB728,581 million (2021: RMB658,869 million), the loan principal at Stage 2 of RMB34,309 million (2021: RMB24,216 million) and the loan principal at Stage 3 of RMB8,094 million (2021: RMB8,988 million).

In 2022, the loan principal transferred from Stage 1 to Stage 2 was RMB79,398 million (2021: RMB54,138 million), the loan principal transferred from Stage 1 to Stage 3 was RMB37,616 million (2021: RMB31,766 million), the loan principal transferred from Stage 2 to Stage 3 was RMB13,093 million (2021: RMB3,622 million), and the loan principal transferred from Stage 2 to Stage 1 was RMB4,942 million (2021: RMB2,774 million). The loss provision was not significantly changed by the transfer of loan principal from Stage 3 to Stage 1 and Stage 2 (2021: not significant).

In 2022, the Bank wrote off the principal of non-performing loans of RMB17,149 million (2021: RMB15,097 million), resulting in a corresponding reduction of RMB17,149 million (2021: RMB15,097 million) in the Stage 3 impairment allowances. The Bank still seeks to recover the full amount of debts to which it is legally entitled.

In 2022, the Bank wrote off the principal of non-performing loans of RMB15,119 million (2021: RMB10,502 million), resulting in a corresponding reduction of RMB13,071 million (2021: RMB9,182 million) in the Stage 3 impairment allowances.

In 2022, the modification of the contractual cash flows that did not lead to the recognition of loan termination resulted in the transfer of the relevant impairment provision for loans from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, but the loan principal involved was not significant (2021: not significant).

(9) Fair value of collaterals

The fair value of collaterals for credit impaired loans and advances to customers at the balance sheet date is as follows:

	The Group and the Bank	
	31 December 2022	31 December 2021
Lands and buildings	7,930,316	4,941,713
Other assets	1,767,226	1,098,322
Total	9,697,542	6,040,035

The fair value of collaterals was determined and adjusted by management based on the latest available external valuations by taking into account the current experience on disposal of collaterals as well as the market situation. The collaterals include land, buildings and machines. Assets pledged as collateral include inventories, certificates of deposit, shares and deposit.

VI Notes to the financial statements (continued)**7 Financial assets held for trading**

		The Group	
		31 December 2022	31 December 2021
Investments at fair value through profit or loss	(i)	168,934,934	142,955,975

		The Bank	
		31 December 2022	31 December 2021
Investments at fair value through profit or loss	(i)	167,556,022	142,955,975

(i) Investments at fair value through profit or loss

		The Group	
		31 December 2022	31 December 2021
Funds		101,820,968	98,602,235
Commercial banks and other financial institutions bonds		21,349,334	14,436,318
Corporate bonds		18,808,484	9,425,587
Policy bank bonds		10,230,979	6,781,153
Government bonds		5,375,230	2,872,961
Equity investments and others		11,349,939	10,837,721
Total		168,934,934	142,955,975

		The Bank	
		31 December 2022	31 December 2021
Funds		101,332,863	98,602,235
Commercial banks and other financial institutions bonds		21,066,757	14,436,318
Corporate bonds		18,808,484	9,425,587
Policy bank bonds		10,230,979	6,781,153
Government bonds		5,375,230	2,872,961
Equity investments and others		10,741,709	10,837,721
Total		167,556,022	142,955,975

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

8 Debt investments

(1) Analysed by type of investment

	The Group	
	31 December 2022	31 December 2021
Government bonds	274,776,593	240,741,644
Policy bank bonds	104,771,757	75,938,226
Debt financing plan	59,967,437	62,080,000
Fund trust, asset management plans and others	17,663,965	25,575,579
Corporate bonds	2,072,492	2,384,914
Commercial banks and other financial institutions bonds	678,956	2,028,837
Accrued interest	5,804,143	5,071,939
Total	465,735,343	413,821,139
Less: Provision for ECL (Note VI. 18)	(4,962,944)	(5,734,822)
Carrying amount	460,772,399	408,086,317

	The Bank	
	31 December 2022	31 December 2021
Government bonds	271,334,011	240,741,644
Policy bank bonds	104,771,757	75,938,226
Debt financing plan	59,967,437	62,080,000
Fund trust, asset management plans and others	17,663,965	25,575,579
Corporate bonds	2,072,492	2,384,914
Commercial banks and other financial institutions bonds	678,956	2,028,837
Accrued interest	5,779,579	5,071,939
Total	462,268,197	413,821,139
Less: Provision for ECL (Note VI. 18)	(4,962,674)	(5,734,822)
Carrying amount	457,305,523	408,086,317

VI Notes to the financial statements (continued)**8 Debt investments (continued)****(2) Movements in loss provisions for debt investments:**

	The Group			
	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	(742,817)	(206,644)	(4,785,361)	(5,734,822)
Increase in the current year	(442,948)	(2,297)	(735,157)	(1,180,402)
Reversal in the current year	336,856	203,669	525,334	1,065,859
Write-offs and disposals in the current year	-	-	886,421	886,421
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	6,138	(6,138)	-	-
Transfer from Stage 1 to Stage 3	1,631	-	(1,631)	-
Transfer from Stage 2 to Stage 1	(2,975)	2,975	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	(844,115)	(8,435)	(4,110,394)	(4,962,944)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

8 Debt investments (continued)

(2) Movements in loss provisions for debt investments (continued):

	The Group			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(333,102)	(472,821)	(4,036,284)	(4,842,207)
Increase in the current year	(546,430)	(198,250)	(1,975,654)	(2,720,334)
Reversal in the current year	129,107	51,132	1,647,480	1,827,719
Write-offs and disposals in the current year	-	-	-	-
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	5,419	(5,419)	-	-
Transfer from Stage 1 to Stage 3	2,189	-	(2,189)	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	418,714	(418,714)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	(742,817)	(206,644)	(4,785,361)	(5,734,822)

VI Notes to the financial statements (continued)**8 Debt investments (continued)****(2) Movements in loss provisions for debt investments (continued):**

	The Bank			
	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	(742,817)	(206,644)	(4,785,361)	(5,734,822)
Increase in the current year	(442,678)	(2,297)	(735,157)	(1,180,132)
Reversal in the current year	336,856	203,669	525,334	1,065,859
Write-offs and disposals in the current year	-	-	886,421	886,421
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	6,138	(6,138)	-	-
Transfer from Stage 1 to Stage 3	1,631	-	(1,631)	-
Transfer from Stage 2 to Stage 1	(2,975)	2,975	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	(843,845)	(8,435)	(4,110,394)	(4,962,674)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

8 Debt investments (continued)

(2) Movements in loss provisions for debt investments (continued):

	The Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(333,102)	(472,821)	(4,036,284)	(4,842,207)
Increase in the current year	(546,430)	(198,250)	(1,975,654)	(2,720,334)
Reversal in the current year	129,107	51,132	1,647,480	1,827,719
Write-offs and disposals in the current year	-	-	-	-
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	5,419	(5,419)	-	-
Transfer from Stage 1 to Stage 3	2,189	-	(2,189)	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	418,714	(418,714)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	(742,817)	(206,644)	(4,785,361)	(5,734,822)

VI Notes to the financial statements (continued)**8 Debt investments (continued)****(3) Movements of debt investments:**

	The Group			
	2022			
	Stage 1	Stage 2	Stage 3	Total
1 January 2022	405,152,173	1,284,958	7,384,008	413,821,139
Increase in the current year	128,018,882	-	-	128,018,882
Decrease in the current year	(73,822,311)	(1,218,557)	(1,022,497)	(76,063,365)
Write-offs and disposals in the current year	-	-	(1,104,985)	(1,104,985)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(379,919)	379,919	-	-
Transfer from Stage 1 to Stage 3	(2,125,140)	-	2,125,140	-
Transfer from Stage 2 to Stage 1	67,840	(67,840)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Change in accrued interest	937,093	1,439	125,140	1,063,672
31 December 2022	457,848,618	379,919	7,506,806	465,735,343

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

8 Debt investments (continued)

(3) Movements of debt investments: (continued)

	The Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	326,932,948	3,739,718	6,570,763	337,243,429
Increase in the current year	161,441,738	-	-	161,441,738
Decrease in the current year	(80,819,828)	(1,875,341)	(2,168,859)	(84,864,028)
Write-offs and disposals in the current year	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(1,198,960)	1,198,960	-	-
Transfer from Stage 1 to Stage 3	(1,194,047)	-	1,194,047	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,750,742)	1,750,742	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Change in accrued interest	(9,678)	(27,637)	37,315	-
31 December 2021	405,152,173	1,284,958	7,384,008	413,821,139

VI Notes to the financial statements (continued)

8 Debt investments (continued)

(3) Movements of debt investments (continued):

	The Bank			
	2022			
	Stage 1	Stage 2	Stage 3	Total
1 January 2022	405,152,173	1,284,958	7,384,008	413,821,139
Increase in the current year	124,576,300	-	-	124,576,300
Decrease in the current year	(73,822,311)	(1,218,557)	(1,022,497)	(76,063,365)
Write-offs and disposals in the current year	-	-	(1,104,985)	(1,104,985)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(379,919)	379,919	-	-
Transfer from Stage 1 to Stage 3	(2,125,140)	-	2,125,140	-
Transfer from Stage 2 to Stage 1	67,840	(67,840)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Change in accrued interest	912,529	1,439	125,140	1,039,108
31 December 2022	454,381,472	379,919	7,506,806	462,268,197

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

8 Debt investments (continued)

(3) Movements of debt investments (continued):

	The Bank			
	2021			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	326,932,948	3,739,718	6,570,763	337,243,429
Increase in the current year	161,441,738	-	-	161,441,738
Decrease in the current year	(80,819,828)	(1,875,341)	(2,168,859)	(84,864,028)
Write-offs and disposals in the current year	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(1,198,960)	1,198,960	-	-
Transfer from Stage 1 to Stage 3	(1,194,047)	-	1,194,047	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,750,742)	1,750,742	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Change in accrued interest	(9,678)	(27,637)	37,315	-
31 December 2021	405,152,173	1,284,958	7,384,008	413,821,139

VI Notes to the financial statements (continued)

9 Other debt investments

	The Group	
	31 December 2022	31 December 2021
Government bonds	133,778,713	82,782,624
Commercial banks and other financial institutions bonds	105,140,766	42,207,525
Policy bank bonds	68,573,379	71,453,029
Corporate bonds	8,732,572	10,638,680
Sub-total	316,225,430	207,081,858
Accrued interest	3,573,445	3,145,850
Total	319,798,875	210,227,708
Including:		
– Amortised cost	319,324,204	206,218,725
– Accumulated changes in fair value	474,671	4,008,983

	The Bank	
	31 December 2022	31 December 2021
Government bonds	133,719,563	82,782,624
Commercial banks and other financial institutions bonds	105,140,766	42,207,525
Policy bank bonds	68,573,379	71,453,029
Corporate bonds	8,732,572	10,638,680
Sub-total	316,166,280	207,081,858
Accrued interest	3,572,901	3,145,850
Total	319,739,181	210,227,708
Including:		
– Amortised cost	319,264,415	206,218,725
– Accumulated changes in fair value	474,766	4,008,983

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

9 Other debt investments (continued)

(1) Movements in loss provisions for other debt investments:

	The Group and the Bank			
	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	(68,459)	-	(100,000)	(168,459)
Increase in the current year	(276,763)	-	-	(276,763)
Reversal in the current year	35,514	-	20,000	55,514
Write-offs and disposals in the current year	-	-	-	-
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	(309,708)	-	(80,000)	(389,708)

VI Notes to the financial statements (continued)**9 Other debt investments (continued)****(1) Movements in loss provisions for other debt investments: (continued)**

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(14,428)	-	(62,480)	(76,908)
Increase in the current year	(62,475)	-	(100,132)	(162,607)
Reversal in the current year	8,431	-	-	8,431
Write-offs and disposals in the current year	-	-	62,625	62,625
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	13	-	(13)	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	(68,459)	-	(100,000)	(168,459)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

9 Other debt investments (continued)

(2) Movements of other debt investments:

	The Group			
	2022			
	Stage 1	Stage 2	Stage 3	Total
1 January 2022	210,182,015	-	45,693	210,227,708
Increase in the current year	185,259,138	-	-	185,259,138
Decrease in the current year	(75,651,349)	-	(36,622)	(75,687,971)
Write-off in the current year	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	319,789,804	-	9,071	319,798,875

	The Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	243,737,130	-	62,480	243,799,610
Increase in the current year	66,956,201	-	-	66,956,201
Decrease in the current year	(100,465,478)	-	-	(100,465,478)
Write-off in the current year	-	-	(62,625)	(62,625)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(45,838)	-	45,838	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	210,182,015	-	45,693	210,227,708

VI Notes to the financial statements (continued)

9 Other debt investments (continued)

(2) Movements of other debt investments (continued):

	The Bank			
	2022			
	Stage 1	Stage 2	Stage 3	Total
1 January 2022	210,182,015	-	45,693	210,227,708
Increase in the current year	185,199,444	-	-	185,199,444
Decrease in the current year	(75,651,349)	-	(36,622)	(75,687,971)
Write-off in the current year	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	319,730,110	-	9,071	319,739,181

	The Bank			
	2021			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	243,737,130	-	62,480	243,799,610
Increase in the current year	66,956,201	-	-	66,956,201
Decrease in the current year	(100,465,478)	-	-	(100,465,478)
Write-off in the current year	-	-	(62,625)	(62,625)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(45,838)	-	45,838	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	210,182,015	-	45,693	210,227,708

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

10 Investments in other equity instruments

	The Group and the Bank	
	31 December 2022	31 December 2021
Investments in equity instrument not held for trading		
Equity of unlisted companies	1,387,036	1,322,918
Equity of listed companies	961,745	791,384
Total	2,348,781	2,114,302
Cost of equity instruments	2,577,160	2,325,003
Fair value changes charged to other comprehensive income	(228,379)	(210,701)
Fair value	2,348,781	2,114,302

Investments in other equity instruments mainly comprise the assets acquired by the Group and the Bank from disposal of assets corresponding to collaterals or other credit enhancements.

11 Long-term equity investments

	The Bank	
	2022	2021
Opening balance	5,000,000	–
Increase in the current year	79,000	5,000,000
Ending balance	5,079,000	5,000,000

VI Notes to the financial statements (continued)

12 Fixed assets

	The Group			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2021	12,278,534	4,568,144	1,079,402	17,926,080
Increase in the current year	41,468	706,639	90,118	838,225
Transfers from construction in progress	37,350	–	–	37,350
Decrease in the current year	(134,081)	(255,099)	(61,878)	(451,058)
31 December 2022	12,223,271	5,019,684	1,107,642	18,350,597
Accumulated depreciation				
31 December 2021	(3,981,808)	(3,257,495)	(821,503)	(8,060,806)
Increase in the current year	(417,194)	(437,016)	(82,505)	(936,715)
Decrease in the current year	53,962	246,387	58,520	358,869
31 December 2022	(4,345,040)	(3,448,124)	(845,488)	(8,638,652)
Provision for impairment				
31 December 2021	(228,274)	–	–	(228,274)
Decrease in the current year	–	–	–	–
31 December 2022	(228,274)	–	–	(228,274)
Net book value				
31 December 2022	7,649,957	1,571,560	262,154	9,483,671
31 December 2021	8,068,452	1,310,649	257,899	9,637,000

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

12 Fixed assets (continued)

	The Group			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Increase in the current year	14,585	536,906	96,323	647,814
Transfers from construction in progress	184,972	–	–	184,972
Decrease in the current year	(30,774)	(612,097)	(93,879)	(736,750)
31 December 2021	12,278,534	4,568,144	1,079,402	17,926,080
Accumulated depreciation				
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Increase in the current year	(391,816)	(378,650)	(79,878)	(850,344)
Decrease in the current year	30,137	576,242	85,015	691,394
31 December 2021	(3,981,808)	(3,257,495)	(821,503)	(8,060,806)
Provision for impairment				
31 December 2020	(228,508)	–	–	(228,508)
Decrease in the current year	234	–	–	234
31 December 2021	(228,274)	–	–	(228,274)
Net book value				
31 December 2021	8,068,452	1,310,649	257,899	9,637,000
31 December 2020	8,261,114	1,188,248	250,318	9,699,680

VI Notes to the financial statements (continued)

12 Fixed assets (continued)

	The Bank			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2021	12,278,534	4,554,830	1,079,402	17,912,766
Increase in the current year	41,468	704,984	88,403	834,855
Transfers from construction in progress	37,350	–	–	37,350
Decrease in the current year	(134,081)	(262,179)	(61,878)	(458,138)
31 December 2022	12,223,271	4,997,635	1,105,927	18,326,833
Accumulated depreciation				
31 December 2021	(3,981,808)	(3,255,902)	(821,503)	(8,059,213)
Increase in the current year	(417,194)	(429,720)	(82,247)	(929,161)
Decrease in the current year	53,962	244,175	58,520	356,657
31 December 2022	(4,345,040)	(3,441,447)	(845,230)	(8,631,717)
Provision for impairment				
31 December 2021	(228,274)	–	–	(228,274)
Decrease in the current year	–	–	–	–
31 December 2022	(228,274)	–	–	(228,274)
Net book value				
31 December 2022	7,649,957	1,556,188	260,697	9,466,842
31 December 2021	8,068,452	1,298,928	257,899	9,625,279

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

12 Fixed assets (continued)

	The Bank			Total
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	
Cost				
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Increase in the current year	14,585	523,592	96,323	634,500
Transfers from construction in progress	184,972	–	–	184,972
Decrease in the current year	(30,774)	(612,097)	(93,879)	(736,750)
31 December 2021	12,278,534	4,554,830	1,079,402	17,912,766
Accumulated depreciation				
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Increase in the current year	(391,816)	(377,057)	(79,878)	(848,751)
Decrease in the current year	30,137	576,242	85,015	691,394
31 December 2021	(3,981,808)	(3,255,902)	(821,503)	(8,059,213)
Provision for impairment				
31 December 2020	(228,508)	–	–	(228,508)
Decrease in the current year	234	–	–	234
31 December 2021	(228,274)	–	–	(228,274)
Net book value				
31 December 2021	8,068,452	1,298,928	257,899	9,625,279
31 December 2020	8,261,114	1,188,248	250,318	9,699,680

- (i) As at 31 December 2022, the Group and the Bank had not fully completed ownership changing procedures for buildings with a carrying amount of RMB140 million (31 December 2021: RMB170 million). Management of the Group and the Bank expects that the outstanding ownership changing procedures will not affect the Group's right to inherit such assets or adversely affect the operation of the Group and the Bank.
- (ii) The Group and the Bank assessed the recoverable amount of certain properties and buildings and construction in progress that are considered to be impaired. Based on the assessment, no provision for impairment has been made for such assets in 2022 (2021: the same). The estimated recoverable amount of an asset is the higher of the fair value of the recent transaction price of similar assets within the same area less costs to sell and the present value of the future cash flows expected to be derived from it.

VI Notes to the financial statements (continued)

13 Construction in progress

	The Group and the Bank	
	2022	2021
Opening balance	1,359,972	881,735
Increase in the current year	519,040	663,209
Transfer to fixed assets	(37,350)	(184,972)
Carrying amount at the end of the year	1,841,662	1,359,972

14 Intangible assets

	The Group			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2021	3,045,151	7,772,058	1,498	10,818,707
Increase in the current year	76,708	1,985,960	-	2,062,668
Decrease in the current year	-	(718)	-	(718)
31 December 2022	3,121,859	9,757,300	1,498	12,880,657
Accumulated amortisation				
31 December 2021	(415,647)	(4,972,194)	(1,498)	(5,389,339)
Increase in the current year	(81,955)	(1,097,527)	-	(1,179,482)
Decrease in the current year	-	718	-	718
31 December 2022	(497,602)	(6,069,003)	(1,498)	(6,568,103)
Net book value				
31 December 2022	2,624,257	3,688,297	-	6,312,554
31 December 2021	2,629,504	2,799,864	-	5,429,368

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

14 Intangible assets (continued)

	The Group			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2020	2,772,574	6,225,301	8,148	9,006,023
Increase in the current year	272,577	1,570,722	–	1,843,299
Decrease in the current year	–	(23,965)	(6,650)	(30,615)
31 December 2021	3,045,151	7,772,058	1,498	10,818,707
Accumulated amortisation				
31 December 2020	(325,819)	(4,074,494)	(8,148)	(4,408,461)
Increase in the current year	(89,828)	(921,587)	–	(1,011,415)
Decrease in the current year	–	23,887	6,650	30,537
31 December 2021	(415,647)	(4,972,194)	(1,498)	(5,389,339)
Net book value				
31 December 2021	2,629,504	2,799,864	–	5,429,368
31 December 2020	2,446,755	2,150,807	–	4,597,562

	The Bank			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2021	3,045,151	7,772,058	1,498	10,818,707
Increase in the current year	76,708	1,943,961	–	2,020,669
Decrease in the current year	–	(33,919)	–	(33,919)
31 December 2022	3,121,859	9,682,100	1,498	12,805,457
Accumulated amortisation				
31 December 2021	(415,647)	(4,972,194)	(1,498)	(5,389,339)
Increase in the current year	(81,955)	(1,089,292)	–	(1,171,247)
Decrease in the current year	–	6,641	–	6,641
31 December 2022	(497,602)	(6,054,845)	(1,498)	(6,553,945)
Net book value				
31 December 2022	2,624,257	3,627,255	–	6,251,512
31 December 2021	2,629,504	2,799,864	–	5,429,368

VI Notes to the financial statements (continued)**14 Intangible assets (continued)**

	The Bank			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2020	2,772,574	6,225,301	8,148	9,006,023
Increase in the current year	272,577	1,570,722	–	1,843,299
Decrease in the current year	–	(23,965)	(6,650)	(30,615)
31 December 2021	3,045,151	7,772,058	1,498	10,818,707
Accumulated amortisation				
31 December 2020	(325,819)	(4,074,494)	(8,148)	(4,408,461)
Increase in the current year	(89,828)	(921,587)	–	(1,011,415)
Decrease in the current year	–	23,887	6,650	30,537
31 December 2021	(415,647)	(4,972,194)	(1,498)	(5,389,339)
Net book value				
31 December 2021	2,629,504	2,799,864	–	5,429,368
31 December 2020	2,446,755	2,150,807	–	4,597,562

As at 31 December 2022, the Group and the Bank had no land use rights that were subject to uncompleted ownership changing procedures (2021: Nil).

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

15 Right-of-use assets

	The Group		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2021	6,899,594	21,272	6,920,866
Increase in the current year	1,347,188	7,353	1,354,541
Decrease in the current year	(318,774)	(1,560)	(320,334)
31 December 2022	7,928,008	27,065	7,955,073
Accumulated depreciation			
31 December 2021	(1,567,607)	(6,528)	(1,574,135)
Increase in the current year	(1,671,735)	(2,772)	(1,674,507)
Decrease in the current year	270,444	1,560	272,004
31 December 2022	(2,968,898)	(7,740)	(2,976,638)
Carrying amount			
31 December 2022	4,959,110	19,325	4,978,435
31 December 2021	5,331,987	14,744	5,346,731

VI Notes to the financial statements (continued)

15 Right-of-use assets (continued)

	The Group		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies	5,368,493	12,304	5,380,797
1 January 2021	5,368,493	12,304	5,380,797
Increase in the current year	1,671,817	8,968	1,680,785
Decrease in the current year	(140,716)	–	(140,716)
31 December 2021	6,899,594	21,272	6,920,866
Accumulated depreciation			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies	–	–	–
1 January 2021	–	–	–
Increase in the current year	(1,585,207)	(6,528)	(1,591,735)
Decrease in the current year	17,600	–	17,600
31 December 2021	(1,567,607)	(6,528)	(1,574,135)
Carrying amount			
31 December 2021	5,331,987	14,744	5,346,731
31 December 2020	Not applicable	Not applicable	Not applicable

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

15 Right-of-use assets (continued)

	The Bank		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2021	6,843,983	21,272	6,865,255
Increase in the current year	1,346,670	7,353	1,354,023
Decrease in the current year	(318,774)	(1,560)	(320,334)
31 December 2022	7,871,879	27,065	7,898,944
Accumulated depreciation			
31 December 2021	(1,566,282)	(6,528)	(1,572,810)
Increase in the current year	(1,655,643)	(2,772)	(1,658,415)
Decrease in the current year	270,444	1,560	272,004
31 December 2022	(2,951,481)	(7,740)	(2,959,221)
Carrying amount			
31 December 2022	4,920,398	19,325	4,939,723
31 December 2021	5,277,701	14,744	5,292,445

VI Notes to the financial statements (continued)

15 Right-of-use assets (continued)

	The Bank		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies	5,368,493	12,304	5,380,797
1 January 2021	5,368,493	12,304	5,380,797
Increase in the current year	1,616,206	8,968	1,625,174
Decrease in the current year	(140,716)	–	(140,716)
31 December 2021	6,843,983	21,272	6,865,255
Accumulated depreciation			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies	–	–	–
1 January 2021	–	–	–
Increase in the current year	(1,583,882)	(6,528)	(1,590,410)
Decrease in the current year	17,600	–	17,600
31 December 2021	(1,566,282)	(6,528)	(1,572,810)
Carrying amount			
31 December 2021	5,277,701	14,744	5,292,445
31 December 2020	Not applicable	Not applicable	Not applicable

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

16 Deferred tax assets and liabilities

The net balances of deferred tax assets and liabilities after offsetting are as follows:

	The Group and the Bank	
	2022	2021
Opening balance of deferred tax assets	13,652,545	15,359,752
Deferred taxes recognised in the income statement for the current year (Note VI. 48)	2,581,700	(870,715)
Deferred taxes recognised in other comprehensive income (Note VI. 33)	957,872	(836,492)
Ending balance of deferred tax assets	17,192,117	13,652,545

	The Group	
	2022	2021
Opening balance of deferred tax liabilities	–	–
Deferred taxes recognised in the income statement for the current year (Note VI. 48)	89	–
Deferred taxes recognised in other comprehensive income (Note VI. 33)	(24)	–
Ending balance of deferred tax liabilities	65	–

Deferred tax assets and liabilities before offsetting of certain debit and credit balances are set out as follows:

(a) Deferred tax assets

	The Group			
	31 December 2022		31 December 2021	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	15,654,633	62,618,532	13,763,414	55,053,656
Accrued payroll	845,344	3,381,376	685,059	2,740,236
Provisions	694,106	2,776,423	821,170	3,284,679
Deferred interest income of discounted notes	462,381	1,849,524	593,662	2,374,648
Changes in fair value	88,141	352,564	–	–
Lease liabilities	–	–	1,789	7,156
Others	103,867	415,468	107,470	429,880
Total	17,848,472	71,393,887	15,972,564	63,890,255

VI Notes to the financial statements (continued)

16 Deferred tax assets and liabilities (continued)

(a) Deferred tax assets (continued)

	The Bank			
	31 December 2022		31 December 2021	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	15,654,633	62,618,532	13,763,414	55,053,656
Accrued payroll	844,969	3,379,876	685,059	2,740,236
Provisions	694,106	2,776,423	821,170	3,284,679
Deferred interest income of discounted notes	462,381	1,849,524	593,662	2,374,648
Changes in fair value	86,402	345,608	-	-
Lease liabilities	-	-	1,789	7,156
Others	103,744	414,976	107,470	429,880
Total	17,846,235	71,384,939	15,972,564	63,890,255

(b) Deductible temporary differences that are not recognised as deferred tax assets are analysed as follows:

	The Group and the Bank	
	31 December 2022	31 December 2021
Deductible temporary differences	2,417,550	2,644,255

(c) Deferred tax liabilities

	The Group			
	31 December 2022		31 December 2021	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value	(308,311)	(1,233,244)	(2,039,834)	(8,159,336)
Right-of-use assets	(7,464)	(29,856)	-	-
Others	(340,645)	(1,362,580)	(280,185)	(1,120,740)
Total	(656,420)	(2,625,680)	(2,320,019)	(9,280,076)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

16 Deferred tax assets and liabilities (continued)

(c) Deferred tax liabilities (continued)

	The Bank			
	31 December 2022		31 December 2021	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value	(308,311)	(1,233,244)	(2,039,834)	(8,159,336)
Right-of-use assets	(7,464)	(29,856)	–	–
Others	(338,343)	(1,353,372)	(280,185)	(1,120,740)
Total	(654,118)	(2,616,472)	(2,320,019)	(9,280,076)

(d) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	The Group	
	31 December 2022	31 December 2021
Deferred tax assets, net	17,192,117	13,652,545
Deferred tax liabilities, net	(65)	–

	The Bank	
	31 December 2022	31 December 2021
Deferred tax assets, net	17,192,117	13,652,545

VI Notes to the financial statements (continued)

17 Other assets

	The Group	
	31 December 2022	31 December 2021
Suspense account for clearing	8,489,853	10,641,618
Long-term prepaid expenses	956,432	1,059,202
Advances and temporary payments	838,103	699,143
Continuing involvement in assets (i)	734,668	734,668
Interest receivable (ii)	489,939	384,177
Prepayment for purchase of long-term assets	327,838	316,876
Repossessed assets (iii)	177,712	801,694
Prepaid rentals	55,830	41,965
Others	732,501	678,093
Total	12,802,876	15,357,436
Less: Provision for impairment (Note VI. 18)	(440,854)	(494,905)
Carrying amount	12,362,022	14,862,531

	The Bank	
	31 December 2022	31 December 2021
Suspense account for clearing	8,489,853	10,641,618
Long-term prepaid expenses	949,059	1,050,006
Advances and temporary payments	836,504	699,143
Continuing involvement in assets (i)	734,668	734,668
Interest receivable (ii)	489,939	384,177
Prepayment for purchase of long-term assets	325,399	297,468
Repossessed assets (iii)	177,712	801,694
Prepaid rentals	55,830	41,965
Others	665,018	673,880
Total	12,723,982	15,324,619
Less: Provision for impairment (Note VI. 18)	(440,854)	(494,905)
Carrying amount	12,283,128	14,829,714

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

17 Other assets (continued)

(i) Continuing involvement in assets

As at 31 December 2022 and 31 December 2021, the Group and the Bank continued to recognise assets of RMB735 million. Meanwhile, the Group and the Bank recognised continuing involvement in assets and liabilities in the same amounts as a result of this matter.

(ii) Interest receivable only represents the interest that is receivable since the relevant financial instruments are due but remains unreceived at the balance sheet date.

(iii) Repossessed assets

Analysed by type

	The Group and the Bank	
	31 December 2022	31 December 2021
Buildings	93,122	717,104
Land use rights	84,590	84,590
Total original value of repossessed assets	177,712	801,694
Less: Provision for impairment of repossessed assets	(86,479)	(191,737)
Carrying amount	91,233	609,957

Repossessed assets comprise the assets acquired by the Group and the Bank from disposal of assets corresponding to collaterals or other credit enhancements.

In 2022, the Group and the Bank did not convert any repossessed assets to fixed assets for own use (2021: Nil).

In 2022, the Group and the Bank disposed of repossessed assets with an original value of RMB624 million (2021: RMB42 million).

The Group and the Bank planned to dispose of the repossessed assets as at 31 December 2022 through public disposal methods such as auction and bidding in the future.

VI Notes to the financial statements (continued)

18 Provision for asset impairment

	The Group					31 December 2022
	1 January 2022	Increase in the current year	Reversal in the current year	Write-offs and disposals in the current year	Recovery after write-off in the current year	
Due from banks and other financial institutions	(1,373)	(727)	-	-	-	(2,100)
Placements with banks and other financial institutions	(569,725)	(172,327)	190,142	-	-	(551,910)
Financial assets held under resale agreements	(403,313)	-	-	-	-	(403,313)
Loans and advances to customers						
– Loans and advances to customers measured at amortised cost	(52,623,079)	(48,861,048)	20,305,741	30,220,185	(4,514,921)	(55,473,122)
– Loans and advances to customers measured at fair value through other comprehensive income	(407,990)	(331,171)	407,990	-	-	(331,171)
Financial investment						
– Debt investments	(5,734,822)	(1,180,402)	1,065,859	886,421	-	(4,962,944)
– Other debt investments	(168,459)	(276,763)	55,514	-	-	(389,708)
Loan commitments and financial guarantee contracts	(2,832,040)	(2,554,570)	2,655,990	-	-	(2,730,620)
Fixed assets	(228,274)	-	-	-	-	(228,274)
Other assets	(494,905)	(115,008)	114,432	80,887	(26,260)	(440,854)
Total	(63,463,980)	(53,492,016)	24,795,668	31,187,493	(4,541,181)	(65,514,016)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

18 Provision for asset impairment (continued)

	The Bank					31 December 2022
	1 January 2022	Increase in the current year	Reversal in the current year	Write-offs and disposals in the current year	Recovery after write-off in the current year	
Due from banks and other financial institutions	(1,373)	(700)	-	-	-	(2,073)
Placements with banks and other financial institutions	(569,725)	(172,327)	190,142	-	-	(551,910)
Financial assets held under resale agreements	(403,313)	-	-	-	-	(403,313)
Loans and advances to customers						
– Loans and advances to customers measured at amortised cost	(52,623,079)	(48,861,048)	20,305,741	30,220,185	(4,514,921)	(55,473,122)
– Loans and advances to customers measured at fair value through other comprehensive income	(407,990)	(331,171)	407,990	-	-	(331,171)
Financial investment						
– Debt investments	(5,734,822)	(1,180,132)	1,065,859	886,421	-	(4,962,674)
– Other debt investments	(168,459)	(276,763)	55,514	-	-	(389,708)
Loan commitments and financial guarantee contracts	(2,832,040)	(2,554,570)	2,655,990	-	-	(2,730,620)
Fixed assets	(228,274)	-	-	-	-	(228,274)
Other assets	(494,905)	(115,008)	114,432	80,887	(26,260)	(440,854)
Total	(63,463,980)	(53,491,719)	24,795,668	31,187,493	(4,541,181)	(65,513,719)

VI Notes to the financial statements (continued)**18 Provision for asset impairment (continued)**

	The Group and the Bank					
	1 January 2021	Increase in the current year	Reversal in the current year	Write-offs and disposals in the current year	Recovery after write-off in the current year	31 December 2021
Due from banks and other financial institutions	(1)	(1,372)	-	-	-	(1,373)
Placements with banks and other financial institutions	(329,034)	(356,988)	116,297	-	-	(569,725)
Financial assets held under resale agreements	(403,313)	-	-	-	-	(403,313)
Loans and advances to customers						
– Loans and advances to customers measured at amortised cost	(49,408,014)	(47,872,475)	24,405,079	24,279,500	(4,027,169)	(52,623,079)
– Loans and advances to customers measured at fair value through other comprehensive income	(204,237)	(407,990)	204,237	-	-	(407,990)
Financial investment						
– Debt investments	(4,842,207)	(2,720,334)	1,827,719	-	-	(5,734,822)
– Other debt investments	(76,908)	(162,607)	8,431	62,625	-	(168,459)
Loan commitments and financial guarantee contracts	(2,382,582)	(2,729,911)	2,280,453	-	-	(2,832,040)
Fixed assets	(228,508)	-	-	234	-	(228,274)
Other assets	(524,133)	(122,127)	46,563	133,442	(28,650)	(494,905)
Total	(58,398,937)	(54,373,804)	28,888,779	24,475,801	(4,055,819)	(63,463,980)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

19 Due to banks and other financial institutions

	The Group	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	100,387,985	89,308,239
Other financial institutions operating in the Chinese mainland	268,257,819	429,742,341
Banks operating outside the Chinese mainland	2,350,250	2,436,740
Accrued interest	1,543,151	2,654,906
Total	372,539,205	524,142,226

	The Bank	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	100,387,985	89,336,627
Other financial institutions operating in the Chinese mainland	268,308,357	429,742,341
Banks operating outside the Chinese mainland	2,350,250	2,436,740
Accrued interest	1,543,209	2,655,598
Total	372,589,801	524,171,306

20 Placements from banks and other financial institutions

	The Group and the Bank	
	31 December 2022	31 December 2021
Banks operating in the Chinese mainland	60,952,194	61,524,994
Banks operating outside the Chinese mainland	3,935,354	1,182,083
Accrued interest	169,493	110,307
Total	65,057,041	62,817,384

21 Financial liabilities held for trading

	The Group and the Bank	
	31 December 2022	31 December 2021
Financial liabilities related to precious metal contracts	134,228	14,566

VI Notes to the financial statements (continued)

22 Financial assets sold under repurchase agreements

	The Group and the Bank	
	31 December 2022	31 December 2021
Bonds		
– Commercial banks and other financial institutions bonds	101,075,426	20,872,531
– Chinese government bonds	67,852,574	35,126,469
Sub-total	168,928,000	55,999,000
Notes	19,556,873	14,053,245
Accrued interest	96,836	12,624
Total	188,581,709	70,064,869

23 Customer deposits

	The Group and the Bank	
	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	711,140,505	710,316,250
– Personal customers	150,237,725	120,191,676
Time Deposits (including notice deposits)		
– Corporate customers	759,235,958	768,585,308
– Personal customers	375,578,926	315,148,107
Pledged deposits	142,080,540	151,226,933
Others	1,087,295	1,630,832
Sub-total	2,139,360,949	2,067,099,106
Accrued interest	30,537,508	27,674,099
Total	2,169,898,457	2,094,773,205

The deposits above include:

	The Group and the Bank	
	31 December 2022	31 December 2021
(1) Pledged deposits		
– Pledged deposits on bank acceptance notes	106,514,180	118,683,526
– Pledged deposits for letters of credit	9,918,033	13,804,405
– Pledged deposits for letters of guarantee	2,258,919	2,690,763
– Other pledged deposits	23,389,408	16,048,239
Total	142,080,540	151,226,933
(2) Outward and inward remittance	422,175	381,322

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

24 Employee benefits payable

	The Group	
	31 December 2022	31 December 2021
Short-term employee benefits payable (a)	8,166,864	8,088,026
Defined contribution plans payable (b)	211,499	655,859
Termination benefits payable (c)	–	–
Total	8,378,363	8,743,885

	The Bank	
	31 December 2022	31 December 2021
Short-term employee benefits payable (a)	8,130,525	8,058,755
Defined contribution plans payable (b)	211,499	655,859
Termination benefits payable (c)	–	–
Total	8,342,024	8,714,614

(a) Short-term employee benefits

	The Group			
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Wages and salaries, bonus, allowances and subsidies	7,351,604	11,138,000	(10,921,007)	7,568,597
Staff welfare	41,840	495,033	(509,722)	27,151
Social security contributions				
Including: Medical insurance	7,079	568,317	(568,816)	6,580
Work injury insurance	392	14,943	(14,960)	375
Maternity insurance	873	9,754	(9,586)	1,041
Housing funds	9,486	871,161	(871,446)	9,201
Labour union funds and employee education funds	78,245	271,246	(291,004)	58,487
Other short-term employee benefits	598,507	1,076,675	(1,179,750)	495,432
Total	8,088,026	14,445,129	(14,366,291)	8,166,864

VI Notes to the financial statements (continued)**24 Employee benefits payable (continued)****(a) Short-term employee benefits (continued)**

	The Group			
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,679,066	12,036,923	(10,364,385)	7,351,604
Staff welfare	1,261	500,471	(459,892)	41,840
Social security contributions				
Including: Medical insurance	13,211	488,951	(495,083)	7,079
Work injury insurance	12	11,954	(11,574)	392
Maternity insurance	2,081	11,705	(12,913)	873
Housing funds	13,578	787,065	(791,157)	9,486
Labour union funds and employee education funds	91,112	317,736	(330,603)	78,245
Other short-term employee benefits	557,076	1,198,516	(1,157,085)	598,507
Total	6,357,397	15,353,321	(13,622,692)	8,088,026
	The Bank			
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Wages and salaries, bonus, allowances and subsidies	7,322,333	11,046,278	(10,836,354)	7,532,257
Staff welfare	41,840	492,363	(507,052)	27,151
Social security contributions				
Including: Medical insurance	7,079	564,118	(563,380)	7,817
Work injury insurance	392	14,880	(14,897)	375
Maternity insurance	873	9,754	(9,586)	1,041
Housing funds	9,486	866,500	(866,531)	9,455
Labour union funds and employee education funds	78,245	269,253	(289,011)	58,487
Other short-term employee benefits	598,507	1,076,611	(1,181,176)	493,942
Total	8,058,755	14,339,757	(14,267,987)	8,130,525

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

24 Employee benefits payable (continued)

(a) Short-term employee benefits (continued)

	The Bank			31 December 2021
	31 December 2020	Increase in the current year	Decrease in the current year	
Wages and salaries, bonus, allowances and subsidies	5,679,066	12,003,828	(10,360,561)	7,322,333
Staff welfare	1,261	500,435	(459,856)	41,840
Social security contributions				
Including: Medical insurance	13,211	488,598	(494,730)	7,079
Work injury insurance	12	11,949	(11,569)	392
Maternity insurance	2,081	11,705	(12,913)	873
Housing funds	13,578	786,664	(790,756)	9,486
Labour union funds and employee education funds	91,112	317,736	(330,603)	78,245
Other short-term employee benefits	557,076	1,198,516	(1,157,085)	598,507
Total	6,357,397	15,319,431	(13,618,073)	8,058,755

(b) Defined contribution plans

	The Group			
	2022			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	15,202	1,056,297	(1,055,856)	15,643
Unemployment insurance	460	31,708	(31,678)	490
Enterprise annuity	640,197	689,351	(1,134,182)	195,366
Total	655,859	1,777,356	(2,221,716)	211,499

	The Group			
	2021			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	13,346	922,222	(920,366)	15,202
Unemployment insurance	304	29,359	(29,203)	460
Enterprise annuity	521,780	468,017	(349,600)	640,197
Total	535,430	1,419,598	(1,299,169)	655,859

VI Notes to the financial statements (continued)**24 Employee benefits payable (continued)****(b) Defined contribution plans (continued)**

	The Bank			
	2022			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	15,202	1,050,031	(1,049,590)	15,643
Unemployment insurance	460	31,512	(31,482)	490
Enterprise annuity	640,197	683,856	(1,128,687)	195,366
Total	655,859	1,765,399	(2,209,759)	211,499

	The Bank			
	2021			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	13,346	921,684	(919,828)	15,202
Unemployment insurance	304	29,342	(29,186)	460
Enterprise annuity	521,780	467,722	(349,305)	640,197
Total	535,430	1,418,748	(1,298,319)	655,859

(c) Termination benefits payable

	The Group and the Bank	
	2022	2021
Opening balance	-	-
Increase in the current year	4,657	5,841
Payment for the current year	(4,657)	(5,841)
Ending balance	-	-

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

25 Taxes payable

	The Group	
	31 December 2022	31 December 2021
Enterprise income tax payable	7,074,630	2,938,925
VAT payable	1,671,137	1,660,946
City maintenance and construction tax payable	116,266	124,850
Educational surcharge payable	82,968	89,131
Others	131,904	132,310
Total	9,076,905	4,946,162

	The Bank	
	31 December 2022	31 December 2021
Enterprise income tax payable	7,075,109	2,915,237
VAT payable	1,665,602	1,660,432
City maintenance and construction tax payable	115,878	124,814
Educational surcharge payable	82,691	89,106
Others	130,927	132,310
Total	9,070,207	4,921,899

26 Provisions

	The Group	
	31 December 2022	31 December 2021
Loan commitments and financial guarantee contracts (i)	2,730,620	2,832,040
Estimated losses of cases and litigations (ii)	45,803	452,639
Others	58,301	17,507
Total	2,834,724	3,302,186

	The Bank	
	31 December 2022	31 December 2021
Loan commitments and financial guarantee contracts (i)	2,730,620	2,832,040
Estimated losses of cases and litigations (ii)	45,803	452,639
Others	56,668	15,874
Total	2,833,091	3,300,553

VI Notes to the financial statements (continued)

26 Provisions (continued)

- (i) Movements in provision for expected credit impairment of loan commitments and financial guarantees contracts:

	The Group and the Bank			
	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2022	(2,107,178)	(359,785)	(365,077)	(2,832,040)
Increase in the current year	(2,380,762)	(137,613)	(36,195)	(2,554,570)
Reversal in the current year	1,935,133	358,330	362,527	2,655,990
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	414,123	(414,123)	-	-
Transfer from Stage 1 to Stage 3	121,229	-	(121,229)	-
Transfer from Stage 2 to Stage 1	(64)	64	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2022	(2,017,519)	(553,127)	(159,974)	(2,730,620)

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(1,457,305)	(202,872)	(722,405)	(2,382,582)
Increase in the current year	(2,030,251)	(337,935)	(361,725)	(2,729,911)
Reversal in the current year	1,367,886	192,619	719,948	2,280,453
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	21,882	(21,882)	-	-
Transfer from Stage 1 to Stage 3	895	-	(895)	-
Transfer from Stage 2 to Stage 1	(10,285)	10,285	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	(2,107,178)	(359,785)	(365,077)	(2,832,040)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

26 Provisions (continued)

(ii) Movements in estimated losses for litigation are as follows:

	The Group and the Bank	
	2022	2021
Opening balance	452,639	458,791
Increase in the current year	80,598	22,625
Reversal in the current year	(240,232)	(21,619)
Payment for the current year	(247,202)	(7,158)
Ending balance	45,803	452,639

As at 31 December 2022, the Group and the Bank were the defendants or the third parties in certain pending litigations, with gross claims of RMB13,026 million (31 December 2021: RMB12,536 million). Based on the opinions of internal or external lawyers of the Group and the Bank, provision has been made for the estimated losses of these litigations and disputes. Management of the Group and the Bank are of the view that the provision made is reasonable and adequate.

27 Lease liabilities

	The Group	
	31 December 2022	31 December 2021
Lease liabilities	4,973,328	5,194,078

	The Bank	
	31 December 2022	31 December 2021
Lease liabilities	4,934,586	5,141,061

VI Notes to the financial statements (continued)

28 Bonds issued

		The Group and the Bank	
		31 December 2022	31 December 2021
Interbank negotiable certificates of deposit	(i)	205,476,659	214,408,156
Financial bonds	(ii)	51,999,928	30,000,000
Tier two capital bonds	(iii)	33,499,529	33,499,482
Subordinated bonds	(iv)	–	4,491,890
Accrued interest		743,017	349,606
Total		291,719,133	282,749,134

(i) As at 31 December 2022, the Bank held 149 (31 December 2021: 171) outstanding interbank negotiable certificates of deposit, with a total face value of RMB206.596 billion (31 December 2021: RMB216.904 billion) and periods of 3 months to 12 months (31 December 2021: 3 to 12 months), and 141 (31 December 2021: 169) of them were under zero-coupon.

(ii) The Bank issued 3-year fixed interest rate financial bonds with a face value of RMB30 billion on 12 November 2021. The coupon interest rate is 3.03% per annum.

The Bank issued 3-year fixed interest rate financial bonds with a face value of RMB22 billion on 26 May 2022. The coupon interest rate is 2.70% per annum.

(iii) The Bank issued 10-year tier two capital fixed interest rate bonds with a face value of RMB30 billion on 30 October 2020. The coupon interest rate is 4.26% per annum. The Bank has an option to redeem the bonds at the end of the fifth year. If the Bank does not exercise the option of redemption, the coupon interest rate of the bonds will remain unchanged from the sixth year for the next five years till maturity. The Bank issued 15-year tier two capital fixed interest rate bonds with a face value of RMB3.5 billion on 30 October 2020. The coupon interest rate is 4.51% per annum. The Bank has an option to redeem the bonds at the end of the tenth year. If the Bank does not exercise the option of redemption, the coupon interest rate of the bonds will remain unchanged from the eleventh year for the next five years till maturity.

(iv) The Bank redeemed 15-year fixed interest rate subordinated bonds (issued on 28 December 2021) with a face value of RMB4.5 billion on 28 December 2022. The coupon interest rate is 5.60% per annum. The Bank has an option to redeem the bonds at the end of the tenth year.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

29 Other liabilities

	The Group	
	31 December 2022	31 December 2021
Contract liabilities (i)	7,177,734	8,323,964
Accrued expenses	2,121,533	1,895,916
Suspense account for clearing	1,692,128	2,029,582
Continuing involvement in liabilities (Note VI. 17(i))	734,668	734,668
Payables for purchase of long-term assets	237,456	240,286
Payables for fund subscription	336,700	159,748
Deferred income	318,522	216,952
Long-suspended outstanding payments	198,332	191,832
Payables arising from the transferred credit assets	194,553	231,516
Temporary share subscriptions (Note VI. 30)	–	8,403,818
Others	775,290	1,933,699
Total	13,786,916	24,361,981

	The Bank	
	31 December 2022	31 December 2021
Contract liabilities (i)	7,177,734	8,323,964
Accrued expenses	2,116,210	1,894,839
Suspense account for clearing	1,692,128	2,029,582
Continuing involvement in liabilities (Note VI. 17(i))	734,668	734,668
Payables for fund subscription	336,700	159,748
Deferred income	318,522	216,952
Payables for purchase of long-term assets	233,302	240,286
Long-suspended outstanding payments	198,332	191,832
Payables arising from the transferred credit assets	194,553	231,516
Temporary share subscriptions (Note VI. 30)	–	8,403,818
Others	826,661	1,934,646
Total	13,828,810	24,361,851

- (i) On 1 January 2021, the Group and the Bank started to adopt the revised *CAS 14 – Revenue* released by the Ministry of Finance in July 2017. As at 31 December 2022 and 31 December 2021, the obligation of the Group and the Bank to transfer goods or services to customers according to consideration received has been presented as other liabilities – contract liability.

VI Notes to the financial statements (continued)

30 Share capital

	The Bank	
	31 December 2022	31 December 2021
Ordinary shares (share)	21,789,860,711	19,687,196,272
Ordinary share capital (RMB)	21,789,860,711	19,687,196,272

The registered currency of the Bank's paid-in capital is RMB. As at 31 December 2022, the Bank's total share capital is 21,789,860,711 shares (31 December 2021:19,687,196,272 shares), with par value per share of RMB1.

In 2022, pursuant to the *Reply on the Approval of Private Placement of Shares by Guangfa Bank Co., Ltd.* promulgated by the CSRC on 30 December 2021, the Bank was approved to issue no more than 2,102,664,439 new shares in a private placement at an issue price of RMB8.7364 per share. The aforesaid fund was received before 17 January 2022 and verified by BDO LLP with a capital verification report of XKS Bao Zi [2022] No. ZC30001 issued.

31 Other equity instruments

	The Group and the Bank			
	31 December 2022		31 December 2021	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Perpetual bonds (i)				
Undated capital bonds	4.50	44,991,071	4.50	44,991,071

- (i) With the approvals by relevant regulatory authorities, the Bank issued RMB45 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 September 2019, and completed the issuance on 27 September 2019. The denomination of the Bonds is RMB100 each, and the annual coupon interest rate of the Bonds for the first five years is 4.5%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date (including the interest payment date in the 5th year after the issuance date) of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors that rank in priority to the claims of the Bonds; and shall rank in priority to the claims of shareholders and will rank *pari passu* with the claims under any other additional tier 1 capital instruments of the Bank that rank *pari passu* with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at their discretion utilise the proceeds from the cancelled distribution to meet other obligations of maturing debts. Except for the restrictions on the distribution on ordinary shares, the cancellation of distributions on the Bond in whole or in part shall not constitute any other restrictions on the Bank.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

32 Capital reserve

	The Group and the Bank	
	31 December 2022	31 December 2021
Share premium (i)	53,315,958	37,050,086

(i) As at 31 December 2022, the Bank completed a targeted issuance of 2,102,664,439 RMB-denominated ordinary shares with an issue price of RMB8.7364 per share and the share payment was fully paid in RMB, totalling RMB18,369,717,605. Net of transaction costs, the net fund raised amounted to RMB18,368,536,473, including share capital of RMB2,102,664,439 and capital reserve of RMB16,265,872,034.

33 Other comprehensive income

(1) Statement of other comprehensive income in the balance sheet

	The Group		
	31 December 2022		
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit or loss			
Changes in fair value of other equity investments	(228,379)	57,095	(171,284)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of other debt investments	474,671	(118,667)	356,004
Provision for credit impairment of other debt investments	389,708	(97,427)	292,281
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	(345,609)	86,402	(259,207)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	331,171	(82,793)	248,378
Exchange differences on translation of financial statements and others	193,820	-	193,820
Sub-total	1,043,761	(212,485)	831,276
Total other comprehensive income	815,382	(155,390)	659,992

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(1) Statement of other comprehensive income in the balance sheet (continued)

	The Group		
	31 December 2021		
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit or loss			
Changes in fair value of other equity investments	(210,701)	52,675	(158,026)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of other debt investments	4,008,983	(1,002,246)	3,006,737
Provision for credit impairment of other debt investments	168,459	(42,115)	126,344
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	78,413	(19,603)	58,810
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	407,990	(101,997)	305,993
Exchange differences on translation of financial statements and others	85,568	–	85,568
Sub-total	4,749,413	(1,165,961)	3,583,452
Total other comprehensive income	4,538,712	(1,113,286)	3,425,426

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(1) Statement of other comprehensive income in the balance sheet (continued)

	The Bank		
	31 December 2022		
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit or loss			
Changes in fair value of other equity investments	(228,379)	57,095	(171,284)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of other debt investments	474,766	(118,691)	356,075
Provision for credit impairment of other debt investments	389,708	(97,427)	292,281
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	(345,609)	86,402	(259,207)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	331,171	(82,793)	248,378
Exchange differences on translation of financial statements and others	193,844	–	193,844
Sub-total	1,043,880	(212,509)	831,371
Total other comprehensive income	815,501	(155,414)	660,087
	The Bank		
	31 December 2021		
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit or loss			
Changes in fair value of other equity investments	(210,701)	52,675	(158,026)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of other debt investments	4,008,983	(1,002,246)	3,006,737
Provision for credit impairment of other debt investments	168,459	(42,115)	126,344
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	78,413	(19,603)	58,810
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	407,990	(101,997)	305,993
Exchange differences on translation of financial statements and others	85,568	–	85,568
Sub-total	4,749,413	(1,165,961)	3,583,452
Total other comprehensive income	4,538,712	(1,113,286)	3,425,426

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(2) Statement of other comprehensive income in the income statement

	The Group			
	2022			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of other equity investments	(17,678)	-	4,420	(13,258)
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of other debt investments	(1,718,976)	(1,815,336)	883,579	(2,650,733)
Provision for credit impairment of other debt investments	221,249	-	(55,312)	165,937
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	378,925	(802,947)	106,005	(318,017)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	(76,819)	-	19,204	(57,615)
Exchange differences on translation of financial statements and others	108,252	-	-	108,252
Total	(1,105,047)	(2,618,283)	957,896	(2,765,434)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(2) Statement of other comprehensive income in the income statement (continued)

	The Group			
	2021			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of other equity investments	(48,851)	-	(5,151)	(54,002)
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of other debt investments	2,648,755	239,565	(722,080)	2,166,240
Provision for credit impairment of other debt investments	91,551	-	(22,888)	68,663
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	617,222	(475,478)	(35,435)	106,309
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	203,753	-	(50,938)	152,815
Exchange differences on translation of financial statements and others	(24,381)	-	-	(24,381)
Total	3,488,049	(235,913)	(836,492)	2,415,644

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(2) Statement of other comprehensive income in the income statement (continued)

	The Bank			
	2022			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of other equity investments	(17,678)	-	4,420	(13,258)
Items that may not be reclassified subsequently to profit or loss				
Changes in fair value of other debt investments	(1,718,881)	(1,815,336)	883,555	(2,650,662)
Provision for credit impairment of other debt investments	221,249	-	(55,312)	165,937
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	378,925	(802,947)	106,005	(318,017)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	(76,819)	-	19,204	(57,615)
Exchange differences on translation of financial statements and others	108,276	-	-	108,276
Total	(1,104,928)	(2,618,283)	957,872	(2,765,339)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

33 Other comprehensive income (continued)

(2) Statement of other comprehensive income in the income statement (continued)

	The Bank			
	2021			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of other equity investments	(48,851)	-	(5,151)	(54,002)
Items that may not be reclassified subsequently to profit or loss				
Changes in fair value of other debt investments	2,648,755	239,565	(722,080)	2,166,240
Provision for credit impairment of other debt investments	91,551	-	(22,888)	68,663
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	617,222	(475,478)	(35,435)	106,309
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	203,753	-	(50,938)	152,815
Exchange differences on translation of financial statements and others	(24,381)	-	-	(24,381)
Total	3,488,049	(235,913)	(836,492)	2,415,644

VI Notes to the financial statements (continued)

34 Surplus reserve

	The Group	
	2022	2021
Opening balance	14,280,811	12,533,173
Increase in the current year	1,552,825	1,747,638
Ending balance	15,833,636	14,280,811

	The Bank	
	2022	2021
Opening balance	14,273,705	12,533,173
Increase in the current year	1,533,793	1,740,532
Ending balance	15,807,498	14,273,705

- (a) In accordance with the *Company Law of the People's Republic of China* and the Articles of Association of the Bank, the Bank and its subsidiaries should appropriate 10% of profit for the year for the year to the statutory surplus reserve, and the Bank can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

35 General reserve

	The Group	
	2022	2021
Opening balance	38,099,646	34,991,137
Increase in the current year	2,560,199	3,108,509
Ending balance	40,659,845	38,099,646

	The Bank	
	2022	2021
Opening balance	38,099,646	34,991,137
Increase in the current year	2,365,199	3,108,509
Ending balance	40,464,845	38,099,646

Pursuant to relevant banking laws and regulations in China, from 1 July 2012, the Bank appropriated statutory general reserve from profit for the year through appropriation of profit in accordance with the *Administrative Measures for the Provision of Reserves of Financial Enterprises* (Cai Jin [2012] No. 20). The proportion of statutory general reserve appropriated is determined by the Bank, taking into account the risks it assumes and other factors. The proportion is generally no less than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. The Bank's subsidiaries also appropriate corresponding general risk reserve based on the regulatory requirements

36 Appropriation of profit

- (a) At the 2021 Annual General Meeting held on 24 June 2022, the shareholders approved the following appropriations of profits for the year ended 31 December 2021:
- Appropriated 10% of profit for the year, amounting to RMB1,748 million to the statutory surplus reserve;
 - Appropriated RMB3,109 million to the general reserve;
 - Distributed cash dividends of RMB0.813 (tax inclusive) per 10 shares to shareholders registered in the share ledger, amounting to a total dividends of RMB1,772 million.

When the Bank distributes cash dividends to shareholders, it withholds and pays the corresponding income tax for the natural person shareholders of the Bank in accordance with the requirements of relevant laws and regulations on tax collection and management in China.

- (b) The Bank paid interest on the 2019 undated capital bonds of RMB2,025 million (2021: RMB2,025 million) on 27 September 2022.

VI Notes to the financial statements (continued)

37 Net interest income

	The Group	
	2022	2021
Interest income		
Due from central banks	2,739,511	2,929,519
Due from banks and other financial institutions	99,770	38,856
Placements with banks and other financial institutions	1,977,044	2,653,537
Financial assets held under resale agreements	2,086,030	2,622,712
Loans and advances to customers		
– Corporate loans and advances	37,341,871	39,781,867
– Personal loans and advances(a)	57,959,044	55,420,502
– Discounted notes	5,517,087	6,106,569
Financial investment	21,623,548	20,099,657
Sub-total	129,343,905	129,653,219
Interest expenses		
Borrowings from central banks	(303,577)	(2,136,000)
Due to banks and other financial institutions	(8,423,283)	(11,463,322)
Placements from banks and other financial institutions	(935,968)	(353,066)
Financial assets sold under repurchase agreements	(979,182)	(609,616)
Customer deposits	(53,856,054)	(50,520,200)
Bonds issued	(9,018,451)	(7,601,106)
Sub-total	(73,516,515)	(72,683,310)
Net interest income	55,827,390	56,969,909

- (a) During the year, the Group and the Bank adjusted the accounting criteria of interest income from loans and advances to customer, and the comparative figures of the same period were adjusted accordingly.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

37 Net interest income (continued)

	The Bank	
	2022	2021
Interest income		
Due from central banks	2,739,511	2,929,519
Due from banks and other financial institutions	55,790	37,383
Placements with banks and other financial institutions	1,977,044	2,653,537
Financial assets held under resale agreements	2,086,030	2,622,712
Loans and advances to customers		
– Corporate loans and advances	37,341,871	39,781,867
– Personal loans and advances(a)	57,959,044	55,420,502
– Discounted notes	5,517,087	6,106,569
Financial investment	21,573,580	20,099,657
Sub-total	129,249,957	129,651,746
Interest expenses		
Borrowings from central banks	(303,577)	(2,136,000)
Due to banks and other financial institutions	(8,428,245)	(11,577,580)
Placements from banks and other financial institutions	(935,968)	(353,066)
Financial assets sold under repurchase agreements	(979,182)	(609,616)
Customer deposits	(53,856,054)	(50,520,200)
Bonds issued	(9,018,451)	(7,601,106)
Sub-total	(73,521,477)	(72,797,568)
Net interest income	55,728,480	56,854,178

- (a) During the year, the Group and the Bank adjusted the accounting criteria of interest income from loans and advances to customer, and the comparative figures of the same period were adjusted accordingly.

VI Notes to the financial statements (continued)**38 Net fee and commission income**

	The Group	
	2022	2021
Fee and commission income		
Bank card fees	13,273,096	11,483,818
Agency service fees	1,111,792	1,124,380
Guarantee and commitment fees	720,626	524,380
Settlement and clearing fees	590,543	468,678
Commission on trust and fiduciary activities	567,437	613,116
Debenture underwriting fees	496,946	595,844
Commission on wealth management products	392,830	436,961
Consultancy and advisory fees	251,830	213,473
Others	79,603	90,253
Sub-total	17,484,703	15,550,903
Fee and commission expenses		
Bank card fees	(4,427,499)	(4,009,109)
Settlement and clearing fees	(222,279)	(231,013)
Agency expenses	(132,567)	(180,833)
Others	(321,916)	(418,777)
Sub-total	(5,104,261)	(4,839,732)
Net fee and commission income	12,380,442	10,711,171

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

38 Net fee and commission income (continued)

	The Bank	
	2022	2021
Fee and commission income		
Bank card fees	13,273,096	11,483,818
Agency service fees	1,111,792	1,124,380
Guarantee and commitment fees	720,626	524,380
Settlement and clearing fees	590,543	468,678
Commission on trust and fiduciary activities	567,437	613,116
Debenture underwriting fees	496,946	595,844
Commission on wealth management products	274,136	436,961
Consultancy and advisory fees	251,830	213,473
Others	79,604	90,253
Sub-total	17,366,010	15,550,903
Fee and commission expenses		
Bank card fees	(4,427,499)	(4,009,109)
Settlement and clearing fees	(222,279)	(231,013)
Agency expenses	(292,040)	(189,390)
Others	(321,903)	(418,777)
Sub-total	(5,263,721)	(4,848,289)
Net fee and commission income	12,102,289	10,702,614

VI Notes to the financial statements (continued)**39 Investment income**

	The Group	
	2022	2021
Gains on financial instruments at fair value through profit or loss	5,223,468	6,246,340
Gains/(Losses) on disposal of other debt investments at fair value through other comprehensive income	1,815,336	(239,565)
Gains on derecognition of debt investments at amortised cost	693,172	24,017
Gains on derivative financial instruments	(52,477)	705,841
Precious metal investment losses	(38,504)	(2,728)
(Losses)/Gains on financial liabilities at fair value through profit or loss	(3,064)	127
Others	896,552	522,149
Total	8,534,483	7,256,181

	The Bank	
	2022	2021
Gains on financial instruments at fair value through profit or loss	5,206,368	6,246,340
Gains/(Losses) on disposal of other debt investments at fair value through other comprehensive income	1,815,336	(239,565)
Gains on derecognition of debt investments at amortised cost	693,172	24,017
Gains on derivative financial instruments	(52,477)	705,841
Precious metal investment losses	(38,504)	(2,728)
Net (losses)/gains on financial liabilities at fair value through profit or loss	(3,064)	127
Others	896,552	522,149
Total	8,517,383	7,256,181

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

40 Gains/(Losses) arising from changes in fair value

	The Group	
	2022	2021
Financial assets held for trading, precious metals and others	(2,315,022)	(579,725)
Derivative financial assets and derivative financial liabilities	(60,586)	(93,038)
Total	(2,375,608)	(672,763)

	The Bank	
	2022	2021
Financial assets held for trading, precious metals and others	(2,308,364)	(579,725)
Derivative financial assets and derivative financial liabilities	(60,586)	(93,038)
Total	(2,368,950)	(672,763)

41 Foreign exchange gains/(losses)

Foreign exchange gains/(losses) mainly consist of the gains or losses on conversion of foreign currency assets and liabilities, the realised gains or losses and unrealised changes in the fair value arising from foreign exchange derivatives.

42 Gains from disposal of non-current assets

	The Group and the Bank	
	2022	2021
Gains on disposals of fixed assets	52,738	10,046
Losses on disposals of repossessed assets	(25,474)	(3,415)
Gains on disposals of right-of-use assets	1,732	3,344
Total	28,996	9,975

VI Notes to the financial statements (continued)**43 Other income**

	The Group	
	2022	2021
Government grants – Income related	53,165	140,262

	The Bank	
	2022	2021
Government grants – Income related	30,565	128,262

44 Taxes and surcharges

	The Group	
	2022	2021
City maintenance and construction tax	449,386	425,744
Educational surcharge	317,176	309,434
Property tax	110,703	111,512
Stamp tax	52,908	55,828
Others	7,428	9,466
Total	937,601	911,984

	The Bank	
	2022	2021
City maintenance and construction tax	448,559	425,707
Educational surcharge	316,510	309,409
Property tax	110,703	111,512
Stamp tax	51,568	55,828
Others	7,428	9,466
Total	934,768	911,922

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

45 Operating and administrative expenses

	The Group	
	2022	2021
Employee benefits and welfare	15,658,209	16,282,938
Depreciation and amortisation	4,212,778	3,896,081
Outsourcing service fee	1,447,025	1,432,855
General operating expenses	1,052,532	1,244,008
Others	4,143,246	4,409,957
Total	26,513,790	27,265,839

	The Bank	
	2022	2021
Employee benefits and welfare	15,540,882	16,248,197
Depreciation and amortisation	4,175,462	3,891,974
Outsourcing service fee	1,443,676	1,432,552
General operating expenses	1,051,681	1,243,813
Others	4,126,186	4,407,828
Total	26,337,887	27,224,364

VI Notes to the financial statements (continued)**46 Credit impairment losses**

	The Group	
	2022	2021
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	28,555,307	23,467,396
– Loans and advances to customers measured at fair value through other comprehensive income	(76,819)	203,753
Financial investment		
– Debt investments	114,543	892,615
– Other debt investments	221,249	154,176
Provisions for guarantee and commitment	(101,420)	449,458
Placements with banks and other financial institutions	(17,815)	240,691
Others	58,122	68,082
Total	28,753,167	25,476,171

	The Bank	
	2022	2021
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	28,555,307	23,467,396
– Loans and advances to customers measured at fair value through other comprehensive income	(76,819)	203,753
Financial investment		
– Debt investments	114,273	892,615
– Other debt investments	221,249	154,176
Provisions for guarantee and commitment	(101,420)	449,458
Placements with banks and other financial institutions	(17,815)	240,691
Others	58,095	68,082
Total	28,752,870	25,476,171

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

47 Non-operating income and expenses

Non-operating income

	The Group and the Bank	
	2022	2021
Write back of income from long-term undrawn payments	32,075	35,147
Government grants unrelated to daily activities	31,995	14,367
Penalty and overdue fine	17,821	19,570
Write back of long-term payables	159	62,452
Others	23,536	46,033
Total	105,586	177,569

Non-operating expenses

	The Group	
	2022	2021
(Reversal)/Accrual of provisions	(159,634)	1,006
Penalty and compensation	105,592	62,244
Losses on fixed assets pending for disposal	14,502	27,452
Donation	3,535	3,584
Others	57,452	52,878
Total	21,447	147,164

	The Bank	
	2022	2021
(Reversal)/Accrual of provisions	(159,634)	1,006
Penalty and compensation	105,592	62,244
Losses on fixed assets pending for disposal	14,502	27,452
Donation	3,535	3,584
Others	57,427	52,878
Total	21,422	147,164

VI Notes to the financial statements (continued)**48 Income tax expenses**

	The Group	
	2022	2021
Current income tax	6,142,660	2,911,997
Deferred income tax	(2,581,611)	870,715
Total	3,561,049	3,782,712

	The Bank	
	2022	2021
Current income tax	6,101,621	2,888,309
Deferred income tax	(2,581,700)	870,715
Total	3,519,921	3,759,024

The reconciliation from income tax calculated based on the applicable tax rates and profit before income tax presented in the consolidated financial statements to the income tax expenses is listed below:

	The Group	
	2022	2021
Profit before income tax	19,089,303	21,259,096
Income tax expenses at statutory tax rate of 25%	4,772,326	5,314,774
Non-deductible expenses (Note (i))	2,071,150	1,372,842
Income not subject to income tax (Note (ii))	(3,283,295)	(2,904,020)
Income tax adjustment for prior years	-	172
Others	868	(1,056)
Income tax expenses	3,561,049	3,782,712

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

48 Income tax expenses (continued)

The reconciliation from income tax calculated based on the applicable tax rates and profit before income tax presented in the consolidated financial statements to the income tax expenses is listed below (continued):

	The Bank	
	2022	2021
Profit before income tax	18,857,854	21,164,345
Income tax expenses at statutory tax rate of 25%	4,714,464	5,291,086
Non-deductible expenses (Note (i))	2,071,150	1,372,842
Income not subject to income tax (Note (ii))	(3,266,561)	(2,904,020)
Income tax adjustment for prior years	-	172
Others	868	(1,056)
Income tax expenses	3,519,921	3,759,024

(i) These amounts primarily represent staff costs in excess of the statutory deductible threshold, non-deductible entertainment expenses and impairment losses not expected to be approved by the tax authorities.

(ii) These amounts primarily represent interest income from Chinese government bonds and local government bonds.

VI Notes to the financial statements (continued)**49 Notes to the cash flow statement****(a) Reconciliation from profit for the year to cash flows from operating activities**

	The Group	
	2022	2021
Profit for the year	15,528,254	17,476,384
Add: Other asset impairment losses	(56,819)	8,854
Credit impairment losses	28,753,167	25,476,171
Depreciation of right-of-use assets	1,674,507	1,591,735
Depreciation of fixed assets	936,715	850,344
Amortisation of intangible assets	1,179,482	1,011,415
Amortisation of long-term prepaid expenses	422,074	442,587
Gains on disposals of fixed assets, intangible assets and other long-term assets	(28,996)	(9,975)
Losses on scrapping of long-term assets	20,051	64,249
Losses/(Gains) from changes in fair value of foreign exchange derivatives	478,453	(205,471)
Losses arising from changes in fair value	2,375,608	672,763
Investment income	(7,770,090)	(6,783,528)
Interest income from investments	(21,623,548)	(20,099,657)
Interest expenses on bonds issued	9,018,451	7,601,106
Interest expenses on lease liabilities	190,104	197,042
(Increase)/Decrease in deferred tax assets	(2,581,676)	870,715
Increase in deferred tax liabilities	65	-
Increase in operating receivables	(104,528,348)	(205,086,859)
Increase in operating payables	37,352,689	267,609,536
Net cash flows (used in)/from operating activities	(38,659,857)	91,687,411

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

49 Notes to the cash flow statement (continued)

(a) Reconciliation from profit for the year to cash flows from operating activities (continued)

	The Bank	
	2022	2021
Profit for the year	15,337,933	17,405,321
Add: Other asset impairment losses	(56,819)	8,854
Credit impairment losses	28,752,870	25,476,171
Depreciation of right-of-use assets	1,658,415	1,590,410
Depreciation of fixed assets	929,161	848,751
Amortisation of intangible assets	1,171,247	1,011,415
Amortisation of long-term prepaid expenses	416,639	441,398
Gains on disposals of fixed assets, intangible assets and other long-term assets	(28,996)	(9,975)
Losses on scrapping of long-term assets	56,621	64,249
Losses/(Gains) from changes in fair value of foreign exchange derivatives	478,453	(205,471)
Losses arising from changes in fair value	2,368,950	672,763
Investment income	(7,752,990)	(6,783,528)
Interest income from investments	(21,573,580)	(20,099,657)
Interest expenses on bonds issued	9,018,451	7,601,106
Interest expenses on lease liabilities	188,548	196,878
(Increase)/Decrease in deferred tax assets	(2,581,700)	870,715
Increase in operating receivables	(108,470,673)	(205,812,065)
Increase in operating payables	37,430,907	267,584,951
Net cash flows (used in)/from operating activities	(42,656,563)	90,862,286

VI Notes to the financial statements (continued)**49 Notes to the cash flow statement (continued)***(b) Net increase/(decrease) in cash and cash equivalents*

	The Group	
	2022	2021
Cash at the end of the year	3,237,716	3,594,800
Less: Cash at the beginning of the year	(3,594,800)	(3,548,742)
Add: Cash equivalents at the end of the year	175,816,144	344,095,223
Less: Cash equivalents at the beginning of the year	(344,095,223)	(215,053,660)
Net (decrease)/increase in cash and cash equivalents	(168,636,163)	129,087,621

	The Bank	
	2022	2021
Cash at the end of the year	3,237,716	3,594,800
Less: Cash at the beginning of the year	(3,594,800)	(3,548,742)
Add: Cash equivalents at the end of the year	175,585,929	343,314,328
Less: Cash equivalents at the beginning of the year	(343,314,328)	(215,053,660)
Net (decrease)/increase in cash and cash equivalents	(168,085,483)	128,306,726

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VI Notes to the financial statements (continued)

49 Notes to the cash flow statement (continued)

(c) Cash and cash equivalents

	The Group	
	31 December 2022	31 December 2021
Cash on hand	3,237,716	3,594,800
Due from central banks	35,704,489	160,170,618
Due from banks and other financial institutions	13,262,450	9,450,428
Placements with banks and other financial institutions and Financial assets held under resale agreements	126,849,205	174,474,177
Total	179,053,860	347,690,023

	The Bank	
	31 December 2022	31 December 2021
Cash on hand	3,237,716	3,594,800
Due from central banks	35,704,489	160,170,618
Due from banks and other financial institutions	13,032,235	8,669,533
Placements with banks and other financial institutions and Financial assets held under resale agreements	126,849,205	174,474,177
Total	178,823,645	346,909,128

The original maturity of financial assets listed in cash equivalents are within 3 months.

VII Segment information

1 Operating segments

The Group manages its business by business lines and geographical areas. The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resource allocation and performance assessment. The Group defines reporting segments based on the following business operating segments:

Corporate banking business

This segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit services, agency services, cash management services, finance consulting and advisory services, remittance and settlement services, and guarantee services.

Retail banking and credit card business

This segment provides financial products and services to individual customers. The range of products and services includes loans, deposit services, wealth management services, remittance services, securities agency services and credit cards services, etc.

Treasury operations and other business

Treasury operations and other business cover inter-bank market transactions, repurchase transactions, debenture investments and transactions, derivative financial instruments, custody services, asset management services, equity investments, foreign currency trading and segments that could not be listed separately or could not be divided by any reasonable benchmark. It also covers the management of the Group's overall liquidity position, including the issuance of bonds

Segment accounting policies are consistent with those for the Group's financial statements. Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market price and have been reflected in the performance of each segment. Interest income and expenses earned from third parties are listed as "external net interest income/(expenses)". Net interest income and expenses arising from internal charges and transfer pricing adjustments are listed as "inter-segment net interest income/(expenses)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities include intra-bank balances and intra-bank transactions that are eliminated in the preparation of the financial statements. Segment capital expenditure is the total cost incurred during the accounting period to acquire fixed assets, intangible assets, right-of-use assets, other long-term assets and new construction in process.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VII Segment information (continued)

1 Operating segments (continued)

	The Group			
	2022			
	Corporate banking business	Retail banking and credit card business	Treasury operations and other business	Total
External net interest income/(expenses)	9,694,385	46,457,382	(324,377)	55,827,390
Inter-segment net interest income/(expenses)	12,863,554	(16,575,207)	3,711,653	-
Net interest income	22,557,939	29,882,175	3,387,276	55,827,390
Net fee and commission income	1,956,493	9,845,819	578,130	12,380,442
Investment income	825,407	5,470	7,703,606	8,534,483
Gains/(Losses) arising from changes in fair value	(41,990)	-	(2,333,618)	(2,375,608)
Foreign exchange gains	-	-	642,016	642,016
Other operating income	864	3,548	58,662	63,074
Gains from disposal of non-current assets	397	1,631	26,968	28,996
Other income	729	2,991	49,445	53,165
Revenue	25,299,839	39,741,634	10,112,485	75,153,958
Taxes and surcharges	(303,117)	(447,779)	(186,705)	(937,601)
Operating and administrative expenses	(9,758,299)	(15,174,562)	(1,580,929)	(26,513,790)
Impairment losses on assets	(9,018,509)	(19,020,484)	(657,355)	(28,696,348)
Including: Credit impairment losses	(9,075,510)	(19,020,422)	(657,235)	(28,753,167)
Other asset impairment losses	57,001	(62)	(120)	56,819
Other operating expenses	(331)	(510)	(214)	(1,055)
Operating expenses	(19,080,256)	(34,643,335)	(2,425,203)	(56,148,794)
Operating profit	6,219,583	5,098,299	7,687,282	19,005,164
Add: Non-operating income	260	11,543	93,783	105,586
Less: Non-operating expenses	(54,734)	(31,782)	65,069	(21,447)
Profit before income tax	6,165,109	5,078,060	7,846,134	19,089,303
Segment assets	1,069,016,042	904,471,291	1,444,416,899	3,417,904,232
Segment liabilities	1,658,895,321	536,335,193	960,824,338	3,156,054,852
Other segment information:				
Credit commitments	488,856,651	850,341,459	-	1,339,198,110
Depreciation and amortisation expenses	1,325,545	1,121,515	1,791,032	4,238,092
Capital expenditure	2,396,066	2,027,260	3,237,485	7,660,811

VII Segment information (continued)

1 Operating segments (continued)

	The Group 2021			
	Corporate banking business	Retail banking and credit card business	Treasury operations and other business	Total
External net interest income/(expenses)	12,703,812	46,558,953	(2,292,856)	56,969,909
Inter-segment net interest income/(expenses)	11,993,835	(18,069,765)	6,075,930	–
Net interest income	24,697,647	28,489,188	3,783,074	56,969,909
Net fee and commission income	1,617,107	8,622,191	471,873	10,711,171
Investment income	507,364	2,331	6,746,486	7,256,181
Gains/(Losses) arising from changes in fair value	18,635	–	(691,398)	(672,763)
Foreign exchange gains	–	–	433,534	433,534
Other operating expenses	1,144	2,491	52,752	56,387
Gains from disposal of non-current assets	202	440	9,333	9,975
Other income	2,844	6,195	131,223	140,262
Revenue	26,844,943	37,122,836	10,936,877	74,904,656
Taxes and surcharges	(316,321)	(432,401)	(163,262)	(911,984)
Operating and administrative expenses	(9,743,510)	(15,089,918)	(2,432,411)	(27,265,839)
Impairment losses on assets	(12,609,276)	(12,116,182)	(759,567)	(25,485,025)
Including: Credit impairment losses	(12,602,051)	(12,114,553)	(759,567)	(25,476,171)
Other asset impairment losses	(7,225)	(1,629)	–	(8,854)
Other operating expenses	(4,311)	(6,048)	(2,758)	(13,117)
Operating expenses	(22,673,418)	(27,644,549)	(3,357,998)	(53,675,965)
Operating profit	4,171,525	9,478,287	7,578,879	21,228,691
Add: Non-operating income	1,317	2,611	173,641	177,569
Less: Non-operating expenses	(14,898)	(8,633)	(123,633)	(147,164)
Profit before income tax	4,157,944	9,472,265	7,628,887	21,259,096
Segment assets	1,039,493,652	907,116,715	1,413,374,179	3,359,984,546
Segment liabilities	1,690,473,734	447,008,061	988,001,996	3,125,483,791
Other segment information:				
Credit commitments	494,692,165	807,857,673	–	1,302,549,838
Depreciation and amortisation expenses	1,205,348	1,051,850	1,638,883	3,896,081
Capital expenditure	2,179,179	1,901,666	2,962,978	7,043,823

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VII Segment information (continued)

2 Geographical segments

The Bank operates principally in Mainland China. Apart from the Head Office, the Group has 48 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi'an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Qingdao, Haikou, Macau Special Administration Region of the People's Republic of China ("Macau") and Hong Kong Special Administration Region of the People's Republic of China ("Hong Kong") respectively. Meanwhile, the Group has set up a capital operation centre and GuangYin Wealth Management Co., Ltd. in Shanghai.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generate the income. Assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical areas which are based on the location of the Group's branches, as defined for management reporting purposes, are as follows:

- "Yangtze River Delta": Shanghai, Jiangsu Province and Zhejiang Province;
- "Pearl River Delta": Guangdong Province, Fujian Province and Hainan Province;
- "Bohai Rim": Beijing, Tianjin, Liaoning Province, Heilongjiang Province, Jilin Province, Shandong Province and Hebei Province;
- "Central and Western": Henan Province, Hubei Province, Hunan Province, Yunnan Province, Sichuan Province, Guizhou Province, Anhui Province, Shaanxi Province, Chongqing, Guangxi Zhuang Autonomous Region, Jiangxi Province, Shanxi Province Xinjiang Uygur Autonomous Region and Neimenggu Autonomous Region;

Head Office: Head Office and Credit Card Centre;

Overseas: Macau and Hong Kong.

VII Segment information (continued)

2 Geographical segments (continued)

	The Group 2022						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	11,936,161	(127,941)	(3,813,236)	8,985,689	38,395,634	451,083	55,827,390
Inter-segment net interest income/ (expenses)	2,982,831	12,504,438	10,113,525	(1,109,960)	(24,238,283)	(252,551)	-
Net interest income	14,918,992	12,376,497	6,300,289	7,875,729	14,157,351	198,532	55,827,390
Net fee and commission income	885,413	672,085	619,925	559,637	9,353,846	289,536	12,380,442
Investment income	7,816,834	191,373	91,061	202,319	213,754	19,142	8,534,483
Gains/(Losses) arising from changes in fair value	(1,948,442)	2,215	4,938	14,977	(442,142)	(7,154)	(2,375,608)
Foreign exchange gains/(losses)	681,774	91,867	214,830	23,535	(370,049)	59	642,016
Other operating expenses	7,814	29,318	21,840	24,921	(20,819)	-	63,074
Gains/(Losses) on disposals of assets	(25,524)	32,683	2,193	19,079	565	-	28,996
Other income	31,754	3,406	4,042	4,863	9,100	-	53,165
Revenue	22,368,615	13,399,444	7,259,118	8,725,060	22,901,606	500,115	75,153,958
Taxes and surcharges	(154,868)	(181,153)	(107,874)	(152,220)	(340,526)	(960)	(937,601)
Operating and administrative expenses	(3,575,345)	(5,763,661)	(3,556,654)	(3,524,215)	(9,879,855)	(214,060)	(26,513,790)
Impairment losses on assets	(866,856)	(5,981,387)	(3,100,130)	(2,423,951)	(16,310,728)	(13,296)	(28,696,348)
Including: Credit impairment losses	(866,856)	(5,981,325)	(3,100,130)	(2,419,387)	(16,372,173)	(13,296)	(28,753,167)
Other asset impairment losses	-	(62)	-	(4,564)	61,445	-	56,819
Other operating expenses	(520)	(452)	(25)	(2)	(56)	-	(1,055)
Operating expenses	(4,597,589)	(11,926,653)	(6,764,683)	(6,100,388)	(26,531,165)	(228,316)	(56,148,794)
Operating profit	17,771,026	1,472,791	494,435	2,624,672	(3,629,559)	271,799	19,005,164
Add: Non-operating income	13,964	56,602	7,396	13,073	14,532	19	105,586
Less: Non-operating expenses	(28,314)	105,237	(39,944)	(5,746)	(52,680)	-	(21,447)
Profit before income tax	17,756,676	1,634,630	461,887	2,631,999	(3,667,707)	271,818	19,089,303

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VII Segment information (continued)

2 Geographical segments (continued)

	The Group						Total
	2022						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	
Segment assets	1,585,212,074	839,960,714	584,055,771	415,204,506	766,928,628	57,107,727	4,248,469,420
Offsetting							(830,565,188)
Total assets							3,417,904,232
Segment liabilities	1,561,445,744	838,337,410	583,958,302	412,855,313	533,782,269	56,241,002	3,986,620,040
Offsetting							(830,565,188)
Total liabilities							3,156,054,852
Other segment information:							
Credit commitments	129,691,451	102,375,904	96,839,337	155,240,257	850,341,459	4,709,702	1,339,198,110
Depreciation and amortisation expenses	448,343	748,581	547,260	577,789	1,877,953	38,166	4,238,092
Capital expenditure	673,569	1,340,046	1,091,080	1,262,637	3,291,399	2,080	7,660,811

VII Segment information (continued)

2 Geographical segments (continued)

	The Group						
	2021						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	5,357,955	968,549	(2,560,468)	9,499,886	43,303,007	400,980	56,969,909
Inter-segment net interest income/(expenses)	2,066,268	11,579,906	9,222,293	(1,126,951)	(21,594,871)	(146,645)	-
Net interest income	7,424,223	12,548,455	6,661,825	8,372,935	21,708,136	254,335	56,969,909
Net fee and commission income	602,907	704,011	704,519	544,956	8,000,397	154,381	10,711,171
Investment income	169,035	97,376	85,071	118,980	6,773,334	12,385	7,256,181
Gains/(Losses) arising from changes in fair value	9,073	1,667	(12,197)	(2,382)	(594,670)	(74,254)	(672,763)
Foreign exchange gains/(losses)	28,068	105,938	173,561	23,692	76,313	25,962	433,534
Other operating expenses	6,646	31,802	20,037	20,195	(22,293)	-	56,387
Gains/(Losses) on disposals of assets	322	1,725	4,752	1,087	2,089	-	9,975
Other income	9,510	1,102	74,678	19,703	35,269	-	140,262
Revenue	8,249,784	13,492,076	7,712,246	9,099,166	35,978,575	372,809	74,904,656
Taxes and surcharges	(151,951)	(180,596)	(111,681)	(152,074)	(314,736)	(946)	(911,984)
Operating and administrative expenses	(2,970,723)	(5,680,711)	(3,658,934)	(3,500,466)	(11,235,349)	(219,656)	(27,265,839)
Impairment losses on assets	(1,582,375)	(220,693)	(2,130,196)	(6,517,857)	(15,001,528)	(32,376)	(25,485,025)
Including: Credit impairment losses	(1,582,375)	(219,064)	(2,130,015)	(6,510,813)	(15,001,528)	(32,376)	(25,476,171)
Other asset impairment losses	-	(1,629)	(181)	(7,044)	-	-	(8,854)
Other operating expenses	(226)	(325)	(737)	(1)	(11,828)	-	(13,117)
Operating expenses	(4,705,275)	(6,082,325)	(5,901,548)	(10,170,398)	(26,563,441)	(252,978)	(53,675,965)
Operating profit	3,544,509	7,409,751	1,810,698	(1,071,232)	9,415,134	119,831	21,228,691
Add: Non-operating income	13,297	69,672	7,033	15,487	72,078	2	177,569
Less: Non-operating expenses	(30,518)	(52,636)	(18,761)	(21,182)	(24,072)	5	(147,164)
Profit before income tax	3,527,288	7,426,787	1,798,970	(1,076,927)	9,463,140	119,838	21,259,096

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

VII Segment information (continued)

2 Geographical segments (continued)

	The Group						Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	
Segment assets	457,875,097	806,733,938	568,343,853	404,253,497	1,864,489,132	40,225,119	4,141,920,636
Offsetting							(781,936,090)
Total assets							3,359,984,546
Segment liabilities	454,388,379	799,190,017	566,850,145	405,711,932	1,641,932,148	39,347,260	3,907,419,881
Offsetting							(781,936,090)
Total liabilities							3,125,483,791
Other segment information:							
Credit commitments	126,001,257	100,351,634	98,294,535	164,733,484	809,269,618	3,899,310	1,302,549,838
Depreciation and amortisation expenses	435,058	444,682	596,726	495,925	1,703,332	220,358	3,896,081
Capital expenditure	628,404	1,177,958	1,332,983	1,011,903	2,888,206	4,369	7,043,823

VIII Subsidiaries

Subsidiaries included in the consolidation scope as at 31 December 2022 are as follows:

	Place of registration	Major business location	Nature of business	Shareholding (%)
GuangYin Wealth Management Co., Ltd. (a)	Shanghai, China	China	Issuing wealth management products, investing and managing the entrusted property of investors, etc	100%

- (a) On 1 December 2021, the Bank established GuangYin Wealth Management Co., Ltd.
- (b) The percentage of shareholding in GuangYin Wealth Management Co., Ltd. held by the Bank is 100%. The decisions on GuangYin Wealth Management Co., Ltd.'s relevant activities are made by the Board of Directors. The resolution of the Board of Directors should be subject to the consensus of a majority directors.

IX Related parties and related party transactions

1 Major shareholders and subsidiaries of the Group they belong to

The Bank has no controlling shareholders. According to the *Interim Measures for the Equity Management of Commercial Banks* (China Banking Regulatory Commission [2018] No.1), the related parties of the Bank's major shareholders refer to shareholders who hold more than 5% of the Bank's shares or a shareholder who has a total share of less than 5% but has a significant impact on the Bank's operations and management. Among them, major influences include, but are not limited to, the dispatch of directors, supervisors or senior management personnel to the Bank. As at 31 December 2022, the related parties of the Bank's major shareholders were as follows:

	Place of registration	Registered Capital	Shareholding in the Bank as at 31 December 2022	Main operations	Relationship with the Bank	Nature or type of business	Legal representative
China Life Insurance Company Limited	Beijing	RMB28.265 billion	43.686%	Providing personal life insurance, group life insurance, accident insurance and health insurance products and services, etc.	Shareholders	Joint-stock enterprise	Bai Tao
CITIC Trust Co., Ltd.	Beijing	RMB11.276 billion	14.137%	Trust, investment funds, advisory and consulting, debenture underwriting, inherent property application, inter-bank money market transactions and other business permitted by regulations or approved by the China Banking Regulatory Commission, etc.	Shareholders	Limited liability company	Li Zimin
State Grid Yingda International Holdings Corporation, Ltd.(a)	Beijing	RMB102.2 billion	8.919%	Investment and asset management; asset custody; services for corporate restructuring, mergers and acquisitions, strategic allotment and venture capital; investment consultant	Shareholders	Limited liability company	Yang Dongwei
Jiangxi Provincial Transportation Investment Group Co., Ltd.	Nanchang	RMB9.505 billion	8.184%	Investment, construction and operation of expressway infrastructure, operation of expressway service area and construction of transportation infrastructure, etc.	Shareholder	Limited liability company	Wang Jiangjun
The Ministry of Finance of the People's Republic of China (a)	Beijing	/	5.218%	/	Shareholder	/	/
Jiangsu Suzhou Steel Group Co., Ltd. (b)	Suzhou	RMB1.017 billion	1.022%	Pig iron processing pig iron, steel (including cold-rolled ribbed steel), lease of own assets	Shareholder	Limited liability company	Chen Jiyou

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IX Related parties and related party transactions (continued)

1 Major shareholders and subsidiaries of the Group they belong to (continued)

- (a) On 8 July 2022, pursuant to the *Approval of the China Banking and Insurance Regulatory Commission on the Change of Shareholding of Guangfa Bank and the Qualification of Relevant Shareholders* (CBIRC [2022] No. 433), State Grid Yingda International Holdings Corporation, Ltd. transferred 1,136,946,100 shares of the Bank held by it to the Ministry of Finance of the People's Republic of China without compensation. After the change of shareholding, the Ministry of Finance of the People's Republic of China held 1,136,946,100 shares of the Bank, representing a shareholding of 5.218%.

According to the Measures for the Administration of Related Party Transactions of Banking, the Ministry of Finance of the People's Republic of China does not apply the regulatory requirements for the management of related parties.

- (b) As at 31 December 2022, Jiangsu Suzhou Steel Group Co., Ltd. held 1.022% of the Bank, which was less than 5%, but it was managed as a major shareholder in accordance with the relevant requirements of the Provisional Measures on Shareholdings Administration of Commercial Banks (CBRC Order [2018] No.1) as it had stationed Mr. Chen Jiyou, a shareholder supervisor, to the Bank.

Changes in major shareholders' shareholdings in the Bank

	31 December 2022	
	Shares	Shareholding (%)
China Life Insurance Company Limited	9,519,210,262	43.686
CITIC Trust Co., Ltd.	3,080,479,452	14.137
State Grid Yingda International Holdings Corporation, Ltd.	1,943,533,352	8.919
Jiangxi Provincial Transportation Investment Group Co., Ltd.	1,783,343,771	8.184
The Ministry of Finance of the People's Republic of China	1,136,946,100	5.218
Jiangsu Suzhou Steel Group Co., Ltd.	222,777,231	1.022
	31 December 2021	
	Shares	Shareholding (%)
China Life Insurance Company Limited	8,600,631,426	43.686
State Grid Yingda International Holdings Corporation, Ltd.	3,080,479,452	15.647
CITIC Trust Co., Ltd.	3,080,479,452	15.647
Jiangxi Provincial Transportation Investment Group Co., Ltd.	1,611,255,772	8.184
Jiangsu Suzhou Steel Group Co., Ltd.	222,777,231	1.132

IX Related parties and related party transactions (continued)

1 Major shareholders and subsidiaries of the Group they belong to (continued)

Changes in major shareholders' shareholdings in the Bank (continued)

The related party transactions and balances with major shareholders and subsidiaries of the Group they belong to are summarised in Note IX.5 and 7.

Subsidiaries of the Group that the Bank's major shareholders belong to include the companies controlled or jointly controlled by the Bank's major shareholders, the parents of the Bank's major shareholders and the companies controlled or jointly controlled by the parents.

2 Other related parties

Other related parties include companies directly or indirectly controlled and jointly controlled by the Bank's directors, supervisors, senior management and close family members, or companies in which the Bank's directors, supervisors, senior management and close family members serve as their directors or senior management personnel and joint ventures and subsidiaries of enterprises exerting significant influence on the Bank.

3 Controlled subsidiaries

The controlled subsidiaries of the Bank are detailed in Note VIII.

4 Related natural persons

- (1) Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including directors, supervisors and senior management.
- (2) Close family members of the key management stated above.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IX Related parties and related party transactions (continued)

5 Related party transactions

	Main shareholders	Controlled subsidiaries	Other related parties	Total
Transactions for the year ended 31 December 2022:				
Interest income	191,913	-	4,409	196,322
Fee and commission income	608,496	-	16	608,512
Investment income	1,769,457	-	-	1,769,457
Other operating expenses	37,549	-	-	37,549
Non-operating income	4,895	-	-	4,895
Interest expenses	(3,393,574)	(4,962)	-	(3,398,536)
Fee and commission expenses	(8,085)	(159,473)	-	(167,558)
Operating and administrative expenses	(347,132)	-	-	(347,132)
Balances as at 31 December 2022:				
Financial assets held for trading	25,610,880	-	-	25,610,880
Derivative financial assets	147,934	-	-	147,934
Loans and advances to customers	7,345,449	-	103,398	7,448,847
Debt investments	3,733,622	-	-	3,733,622
Other debt investments	2,874,957	-	-	2,874,957
Right-of-use assets	374,446	-	16,882	391,328
Other Assets	90,725	-	-	90,725
Deposits from banks and non-bank financial institutions	2,175,598	55,500	-	2,231,098
Derivative financial liabilities	114,410	-	-	114,410
Customer deposits	90,446,538	-	217,065	90,663,603
Lease liabilities	391,561	-	19,336	410,897
Other liabilities	-	52,822	-	52,822

IX Related parties and related party transactions (continued)**5 Related party transactions (continued)**

	Main shareholders	Controlled subsidiaries	Other related parties	Total
Transactions for the year ended 31 December 2021:				
Interest income	464,559	–	1,960	466,519
Fee and commission income	527,813	–	2,106	529,919
Investment income	1,212,021	–	–	1,212,021
Other operating income	198	–	–	198
Non-operating income	344	–	–	344
Interest expenses	(3,829,378)	(114,258)	(3,079)	(3,946,715)
Fee and commission expenses	(18,745)	(8,557)	–	(27,302)
Operating and administrative expenses	(327,276)	–	–	(327,276)
Balances as at 31 December 2021:				
Placements with banks and other financial institutions	7,009,144	–	–	7,009,144
Financial assets held for trading	27,467,783	–	–	27,467,783
Derivative financial assets	607,253	–	129,532	736,785
Financial assets held under resale agreements	1,196,140	–	–	1,196,140
Loans and advances to customers	11,146,793	–	318,935	11,465,728
Other debt investments	509,341	–	–	509,341
Right-of-use assets	468,636	–	–	468,636
Other assets	23,772	–	11	23,783
Deposits from banks and non-bank financial institutions	14,798,662	29,080	6,617,973	21,445,715
Derivative financial liabilities	585,736	–	123,822	709,558
Customer deposits	105,271,099	–	322,706	105,593,805
Lease liabilities	483,209	–	–	483,209
Other liabilities	8,025,917	9,071	–	8,034,988

Excluding the above balances, the Bank has no other amounts refer to shareholders having 5% or more of the Bank's shares or holding less than 5% of the total shares but has a significant impact on the Bank's operation and management. All significant related-party transactions of the Bank (including the manner and terms of receipt and payment) are conducted on normal commercial terms.

Transactions with related natural persons and other related parties are conducted in accordance with normal commercial terms and business procedures, on the basis of general transaction prices. Except for the transactions with other related parties disclosed in Note IX.5 and 7, other transactions between the Bank and related natural persons and other related parties are not significant. Therefore, the Bank does not disclose other related transactions.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

IX Related parties and related party transactions (continued)

6 Remuneration of key management

	2022	2021
Remuneration of key management	RMB27 million	RMB25 million

The total compensation package for key management for the year ended 31 December 2022 has not yet been finalised in accordance with regulations of relevant authorities. But it is expected to have no significant impact on the Bank's financial statements for the year ended 31 December 2022.

During 2022 and 2021, there were no amounts paid or payable by the Bank to the directors, supervisors or senior management as an inducement to join or upon joining the Bank or as termination benefits, and there was also no waiver of any emoluments.

7 Enterprise annuity

During 2022, the Group made annuity contributions of RMB1,452 million to the Annuity Plan managed by China Life Pension Company Limited. The contributions of the Bank and the employees were RMB1,131 million and RMB321 million respectively. (2021: RMB420 million, including RMB350 million contributed by the Bank and RMB70 million contributed by employees).

During 2022, the Bank made annuity contributions of RMB1,444 million to the Annuity Plan managed by China Life Pension Company Limited. The contributions of the Bank and the employees were RMB1,125 million and RMB319 million respectively. (2021: RMB419 million, including RMB349 million contributed by the Bank and RMB70 million contributed by employees).

X Interests in structured entities

1. Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

The unconsolidated structured entities sponsored and managed by the Group consist primarily of non-principal guaranteed wealth management products (WMPs), which are not subject to any guarantee of the Group on the principal invested or interest to be paid. The WMPs entities primarily invest in a range of fixed-income assets such as money markets instruments, bonds and loan assets. As the manager of these products, the Group invests, on behalf of its customers, the funds raised in the relevant underlying assets as described in the product contracts and distributes income to investors based on the operation of the products.

As at 31 December 2022, the size of non-principal guaranteed WMPs issued by the Group amounted to RMB166,767 million (31 December 2021: RMB192,701 million). In 2022, the Group's revenue from WMPs service was RMB393 million (2021: RMB437 million).

In 2022 and 2021, the Group did not enter into any agreed liquidity arrangements, guarantees or other commitments that would increase the Group's risk as a result of the above WMPs with wealth management entities or any third parties. There were no provisions that the Group should assume losses on the non-guaranteed WMPs. In 2022 and 2021, the non-guaranteed WMPs issued by the Group did not cause any losses to the Group, nor financial difficulties.

Other unconsolidated structured entities invested by the Group

The Group invests in other unconsolidated structured entities which are sponsored or managed by other entities for investment return, and related gains or losses are included in investment income or losses and interest income therefrom. These unconsolidated structured entities mainly comprise asset management products, fund products and asset-backed securities invested by the Group. As at 31 December 2022, the carrying amount of the above unconsolidated structured entities held by the Group and the resulting maximum risk exposure amounted to RMB186.788 billion (31 December 2021: RMB192.045 billion), which are presented in financial assets held for trading and debt investments of the Group's consolidated financial statements separately.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XI Commitments

1 Loan commitments and financial guarantee contracts

	31 December 2022	31 December 2021
	The Group and the Bank	The Group and the Bank
Undrawn credit facilities	850,341,459	807,857,673
Loan commitments	33,222,080	32,754,125
Bank acceptance notes	329,512,744	355,920,934
Guarantee and letters of guarantee issued	58,801,983	51,161,449
Letters of credit issued	67,319,844	54,855,657
Total	1,339,198,110	1,302,549,838

Loan commitments and financial guarantee contracts include credit facilities provided to customers and general credit facilities which can be realised by loans or letters of credit issued, guarantee and letters of guarantee issued or bank acceptance notes.

2 Capital commitments

Capital commitments contracted for by the Group and the Bank but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	The Group	
	31 December 2022	31 December 2021
Contracted but not provided	5,889,542	4,835,374

	The Bank	
	31 December 2022	31 December 2021
Contracted but not provided	5,824,757	4,835,374

XI Commitments (continued)

3 National bonds redemption commitments

The Group and the Bank are appointed by the Ministry of Finance as its agent to underwrite national bonds. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders prior to maturity. The redemption price for the bonds is based on the principal of the bonds plus any interest payable as determined under early redemption agreement.

As at 31 December 2022, the principal balance of the acceptance of the Group and the Bank in respect of underwritten, sold but not yet matured Chinese government bonds in the current year amounted to RMB1.842 billion (31 December 2021: RMB3.086 billion). The original maturities of the above national bonds vary from 3 to 5 years.

4 Lawsuits

The Group and the Bank acted as defendants in a number of legal proceedings in the normal course of business. As at 31 December 2022, according to court judgement or opinion of legal advisor, the Group and the Bank made provision of RMB46 million (31 December 2021: RMB453 million) and disclosed in Note VI.26 "Provisions".

XII Collateral

1 Financial assets pledged as collateral

Financial assets of the Group including bonds and notes have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements, due to central banks, the time deposits placed by Central Treasury in the commercial banks and bonds lending. As at 31 December 2022, the carrying amounts of the above financial assets pledged as collateral are as follows:

	The Group and the Bank	
	31 December 2022	31 December 2021
Bonds	274,523,136	153,894,638
Discounted notes	19,556,873	14,053,245
Total	294,080,009	167,947,883

As at 31 December 2022, the carrying amount of the Group's and the Bank's financial assets sold under repurchase agreements (Note VI 22) was RMB188.582 billion (31 December 2021: RMB70.065 billion). The repurchase agreements expire primarily within 1 year from the effective date.

2 Collateral accepted for financial assets held under resale agreements

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. For the carrying amount of the financial assets held under resale agreements, please see Note VI.5. As at 31 December 2022, the Group did not hold the collaterals for resale agreements which it was permitted to sell or repledge in the absence of default for the transactions (31 December 2021: Nil).

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XIII Fiduciary activities

1 Entrusted loan business

The Group and the Bank act as the agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group and the Bank have been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The credit risk is not recognised on the balance sheet as it remains with the trustees. As at 31 December 2022 and 31 December 2021, the scales of entrusted loans and deposits were as follows:

	The Group and the Bank	
	31 December 2022	31 December 2021
Entrusted deposits	(107,711,750)	(62,504,816)
Entrusted loans	107,711,750	62,504,816

2 Entrusted wealth management

The Group and the Bank's entrusted wealth management is primarily unconsolidated non-principal guaranteed WMPs sold to enterprises or individuals. Details are set out in Note X.

XIV Transfer of financial assets

1 Credit asset securitisation

The Group transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, and may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Bank derecognises the transferred credit assets in their entirety. As at 31 December, 2022, the Group held asset-backed securities investments of RMB37 million (31 December 2021: RMB27 million) in such credit asset securitisation transactions, which also approximated the Bank's maximum exposure to loss.

The original carrying amounts of the credit asset transfer in 2022 and 2021 were nil. The Group continues to involve in the transferred credit assets. As at 31 December 2022 and 31 December 2021, the Group's continuing involvement in assets were RMB735 million and RMB735 million respectively. As such, the Group recognised continuing involvement in assets and liabilities of the same amount (Note VI.17 (ii)).

2 Transfer of right to earnings or right to properties

The Group enters into transfer of right to earnings or right to properties of credit assets transactions by which it transfers the right to structured entities which sell share of trust to investors. The Group would analyse and judge whether to derecognise relevant credit assets according to the degree of retention of risks and rewards. The Group did not hold corresponding share in transfers of right to earnings and right to properties of credit assets transactions as at 31 December 2022 (2021: Nil), and the Group derecognised all transferred credit assets.

XIV Transfer of financial assets (continued)

3 Transfer of non-performing loans

The Group transferred non-performing loans and written-off loans to third parties with an original carrying amount of RMB3,243 million in 2022 (2021: RMB494 billion). The Group transferred all the risks and rewards of these non-performing loans and therefore derecognised these transferred non-performing loans.

4 Securities lending transactions

In securities lending transactions, the counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2022, the balance of assets transferred in the Group's securities lending transactions was RMB99 million (31 December 2021: Nil).

XV Financial instruments and risk management

Overview

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management framework

The Board of Directors has overall responsibility for the Bank's risk management, and is responsible for establishing risk culture and determining the risk preference and risk tolerance, evaluating and discussing its objectives, strategies, policies and process towards significant risk management. The Risk Management Committee has been established under the Board of Directors, and it is responsible for reviewing and discussing the Bank's risk management strategies, risk management policies, major risk management matters, money laundering risk management, case prevention management and major asset disposal projects, and controlling, managing, evaluating and supervising the Bank's risks. The Board of Supervisors bears the supervision responsibility for comprehensive risk management, and is responsible for supervising and inspecting the performance of the Board of Directors and senior management in risk management and supervising the rectification. The senior management is authorised to set up the Internal Control Compliance and Risk Management Committee, the Credit Review Committee, the Investment Business Review Committee, and the Non-performing Assets Disposal Review Committee and the Assets and Liabilities Management Committee under the management, to formulate the strategies, guidelines and policies of managing credit risk, market risk, interest rate risk of bank account, liquidity risk, operational risk, country risk and money laundering risk, evaluate the effectiveness of the management policies, supervise the implementation of the policies, identify deficiencies and sort out follow-up solutions.

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XV Financial instruments and risk management (continued)

Risk management framework (continued)

As a leading department, the Risk Management Department is responsible for the daily management of overall risks. The Risk Management Department, the Credit Approval Department, the Retail Business Management Department and the Special Assets Operation Department are responsible for the enactment, implementation and management of the Bank's internal control policies on credit risk. The Risk Management Department is responsible for the enactment, implementation and management of the Bank's internal control policies on market risk, operational risk and country risk. The Assets and Liabilities Management Department is responsible for the enactment, implementation and management of the Bank's internal control policies on interest rate risk of bank account and liquidity risk. The Legal and Compliance Department is responsible for enactment, implementation, inspection and management of the Bank's compliance risk, information technology risk and money laundering risk policies; while the Internal Auditing Department and the Regional Auditing Centre are responsible for independent review and evaluation of the appropriateness and effectiveness of the Bank's corporate governance, internal control and risk management. The various risk management decisions of the Board of Directors, the Risk Management Committee of the Board of Directors and the senior management shall be implemented by the branches under the guidance of relevant departments. With reference to the Bank's comprehensive risk management framework, subsidiaries have established comprehensive risk management organisational structures and management mechanisms accordingly to ensure that risk management requirements are fully extended within the Group.

1 Market risk

Market risk refers to the potential loss in both on-balance and off-balance sheet businesses of the Group caused by adverse changes of market prices (interest rates, exchange rates, goods price, stock prices and other prices). The market risk of the Group primarily arises from the interest rate risk and exchange rate risk of the banking business.

The Group has established a market risk management system framework according to the Commercial Bank Market Risk Management Guidance and other relevant policies. With the approval of the Board of Directors, the Group has established Risk Management Committee to lead the market risk management of the Bank. The Internal Control Compliance and Risk Management Committee has been established under the Vice President and it is responsible for the establishment, periodical review and monitoring of policies, procedures and detailed operational regulations on market risk management, as well as the evaluation on the comprehensiveness of market risk management. The Risk Management Department is responsible for managing and monitoring market risk, and reporting to senior management and the Board of Directors independently.

The Group's risk control methods include, to identify, measure and monitor market risk through duration monitoring, exposure analysis, sensitivity analysis, and scenario analysis; to set up market risk limiting system for the Financial Market Department, which mainly consists of value at risk and sensitivity indicators, and to monitor the usage status of market risk limits. By performing deliberation procedures on the market risk of new products and complicated transactional business, the Group will ensure that market risk of new business will be identified and assessed as early as possible. The Group has executed the stress test for market risk under prudent condition. The Group's market risk and capital management system can quantitatively manage and monitor the Bank's market risk and the liquidity risk and interest rate risk of bank account management system can provide auxiliary support for market risk management of bank account business.

The commodity price risk borne by the Group mainly comes from gold and other precious metals. The risk of loss arises from the fluctuation of commodity prices. The Group believes that the market risk arising from stock prices in transactions and portfolios and commodity prices (excluding gold) is not significant.

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(1) Foreign exchange risk

The Group's major transactions are denominated in RMB, part of transactions denominated in USD and HKD, and few transactions denominated in other foreign currencies. The Group's foreign currency risk comprises exposures that arise from foreign currency portfolio originated from daily treasury business and loans and advances to customers, balances from financial institutions, investments and customer deposits.

The foreign currency risk of the trading book includes the risks arising from foreign currency transactions on behalf of the customers and the corresponding squared transactions, as well as proprietary foreign currency transactions. The Group manages the foreign currency risk mainly by imposing quota on the transaction (including the quota on the exposure and stop loss). The Group evaluates the foreign currency risk with pressure test. The retail foreign currency businesses are operated on an automated trading system and the Bank can monitor the exposure timely. The market risk management system of the Group is able to measure and monitor the currency position created by various transactions that fall in the scope of the Bank's market risk management. Besides, the Group manages its foreign currency risk through spot foreign exchange and derivative transactions, and manages its foreign currency assets and liabilities portfolio and structured position with appropriate derivative such as foreign swap contracts and cross-currency swap contracts.

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(1) Foreign exchange risk (continued)

As at 31 December 2022 and 31 December 2021, the Group and the Bank's foreign exchange risk exposures on assets and liabilities were as follows:

	The Group				
	31 December 2022				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	197,938,264	2,025,130	1,282,599	665,652	201,911,645
Due from banks and other financial institutions	4,766,059	5,862,509	1,376,525	1,256,055	13,261,148
Placements with banks and other financial institutions	57,848,618	3,648,245	446,723	74,309	62,017,895
Financial assets held under resale agreements	122,681,971	-	-	-	122,681,971
Loans and advances to customers	1,958,496,478	29,760,604	7,920,925	4,442,216	2,000,620,223
Financial assets held for trading	161,664,518	7,270,416	-	-	168,934,934
Debt investments	449,155,979	11,616,420	-	-	460,772,399
Other debt investments	281,226,616	37,947,076	294,866	330,317	319,798,875
Other equity investments	1,682,653	666,000	-	128	2,348,781
Other assets	52,810,952	74,308	449,334	329,817	53,664,411
Total assets	3,288,272,108	98,870,708	11,770,972	7,098,494	3,406,012,282
Due to central banks	(17,804,694)	-	-	-	(17,804,694)
Due to banks and other financial institutions	(372,277,025)	(213,205)	(48,975)	-	(372,539,205)
Placements from banks and other financial institutions	(32,626,499)	(18,208,665)	(3,133,139)	(11,088,738)	(65,057,041)
Financial liabilities held for trading	(134,228)	-	-	-	(134,228)
Financial assets sold under repurchase agreements	(188,581,709)	-	-	-	(188,581,709)
Customer deposits	(2,107,470,384)	(38,199,303)	(13,518,001)	(10,710,769)	(2,169,898,457)
Bonds issued	(290,388,867)	(1,330,266)	-	-	(291,719,133)
Other liabilities	(36,689,435)	(1,856,937)	(427,499)	(76,430)	(39,050,301)
Total liabilities	(3,045,972,841)	(59,808,376)	(17,127,614)	(21,875,937)	(3,144,784,768)
Net exposure in balance sheet	242,299,267	39,062,332	(5,356,642)	(14,777,443)	261,227,514
Net nominal amount of derivative financial instruments	12,707,818	(23,623,049)	4,478,970	(18,436,916)	(24,873,177)
Loan commitments and financial guarantee contracts	1,315,178,183	17,509,296	802,451	5,708,180	1,339,198,110

XV Financial instruments and risk management (continued)**1 Market risk (continued)****(1) Foreign exchange risk (continued)**

As at 31 December 2022 and 31 December 2021, the Group and the Bank's foreign exchange risk exposures on assets and liabilities were as follows (continued):

	The Group				
	31 December 2021				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	327,779,727	2,206,414	626,635	699,566	331,312,342
Due from banks and other financial institutions	8,483,168	4,215,183	505,277	1,486,185	14,689,813
Placements with banks and other financial institutions	37,998,682	22,466,868	-	-	60,465,550
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,931,536,973	26,860,636	6,597,848	4,760,946	1,969,756,403
Financial assets held for trading	142,346,465	609,510	-	-	142,955,975
Debt investments	406,802,432	1,283,885	-	-	408,086,317
Other debt investments	206,048,046	3,543,788	-	635,874	210,227,708
Other equity investments	1,507,261	607,041	-	-	2,114,302
Other assets	50,428,173	12,539	194,630	758,286	51,393,628
Total assets	3,264,833,141	61,805,864	7,924,390	8,340,857	3,342,904,252
Due to central banks	(27,650,213)	-	-	-	(27,650,213)
Due to banks and other financial institutions	(521,439,945)	(2,654,197)	(48,053)	(31)	(524,142,226)
Placements from banks and other financial institutions	(44,395,539)	(12,486,993)	(2,072,516)	(3,862,336)	(62,817,384)
Financial liabilities held for trading	(14,566)	-	-	-	(14,566)
Financial assets sold under repurchase agreements	(70,064,869)	-	-	-	(70,064,869)
Customer deposits	(2,047,698,801)	(27,865,997)	(10,382,756)	(8,825,651)	(2,094,773,205)
Bonds issued	(281,366,611)	(1,178,107)	(204,416)	-	(282,749,134)
Other liabilities	(44,732,272)	(1,418,581)	(335,998)	(61,441)	(46,548,292)
Total liabilities	(3,037,362,816)	(45,603,875)	(13,043,739)	(12,749,459)	(3,108,759,889)
Net exposure in balance sheet	227,470,325	16,201,989	(5,119,349)	(4,408,602)	234,144,363
Net nominal amount of derivative financial instruments	4,711,329	(6,112,043)	4,755,503	(2,035,685)	1,319,104
Loan commitments and financial guarantee contracts	1,281,350,075	16,588,196	554,096	4,057,471	1,302,549,838

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(1) Foreign exchange risk (continued)

As at 31 December 2022 and 31 December 2021, the Group and the Bank's foreign exchange risk exposures on assets and liabilities were as follows (continued):

	The Bank				
	31 December 2022				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	197,938,264	2,025,130	1,282,599	665,652	201,911,645
Due from banks and other financial institutions	4,535,742	5,862,509	1,376,525	1,256,055	13,030,831
Placements with banks and other financial institutions	57,848,618	3,648,245	446,723	74,309	62,017,895
Financial assets held under resale agreements	122,681,971	-	-	-	122,681,971
Loans and advances to customers	1,958,496,478	29,760,604	7,920,925	4,442,216	2,000,620,223
Financial assets held for trading	160,285,606	7,270,416	-	-	167,556,022
Debt investments	445,689,103	11,616,420	-	-	457,305,523
Other debt investments	281,166,922	37,947,076	294,866	330,317	319,739,181
Other equity investments	1,682,653	666,000	-	128	2,348,781
Other assets	57,694,475	74,308	449,334	329,817	58,547,934
Total assets	3,288,019,832	98,870,708	11,770,972	7,098,494	3,405,760,006
Due to central banks	(17,804,694)	-	-	-	(17,804,694)
Due to banks and other financial institutions	(372,327,621)	(213,205)	(48,975)	-	(372,589,801)
Placements from banks and other financial institutions	(32,626,499)	(18,208,665)	(3,133,139)	(11,088,738)	(65,057,041)
Financial liabilities held for trading	(134,228)	-	-	-	(134,228)
Financial assets sold under repurchase agreements	(188,581,709)	-	-	-	(188,581,709)
Customer deposits	(2,107,470,384)	(38,199,303)	(13,518,001)	(10,710,769)	(2,169,898,457)
Bonds issued	(290,388,867)	(1,330,266)	-	-	(291,719,133)
Other liabilities	(36,647,852)	(1,856,937)	(427,499)	(76,430)	(39,008,718)
Total liabilities	(3,045,981,854)	(59,808,376)	(17,127,614)	(21,875,937)	(3,144,793,781)
Net exposure in balance sheet	242,037,978	39,062,332	(5,356,642)	(14,777,443)	260,966,225
Net nominal amount of derivative financial instruments	12,707,818	(23,623,049)	4,478,970	(18,436,916)	(24,873,177)
Loan commitments and financial guarantee contracts	1,315,178,183	17,509,296	802,451	5,708,180	1,339,198,110

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(1) Foreign exchange risk (continued)

As at 31 December 2022 and 31 December 2021, the Group and the Bank's foreign exchange risk exposures on assets and liabilities were as follows (continued):

	The Bank				
	31 December 2021				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	327,779,727	2,206,414	626,635	699,566	331,312,342
Due from banks and other financial institutions	3,518,525	4,127,999	1,389,292	602,524	9,638,340
Placements with banks and other financial institutions	37,998,682	22,466,868	-	-	60,465,550
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,931,536,973	26,860,636	6,597,848	4,760,946	1,969,756,403
Financial assets held for trading	142,346,465	609,510	-	-	142,955,975
Debt investments	406,802,432	1,283,885	-	-	408,086,317
Other debt investments	206,048,046	3,543,788	-	635,874	210,227,708
Other equity investments	1,507,261	607,041	-	-	2,114,302
Other assets	55,329,349	12,539	194,630	758,286	56,294,804
Total assets	3,264,769,674	61,718,680	8,808,405	7,457,196	3,342,753,955
Due to central banks	(27,650,213)	-	-	-	(27,650,213)
Due to banks and other financial institutions	(521,455,964)	(2,667,256)	(48,055)	(31)	(524,171,306)
Placements from banks and other financial institutions	(44,395,539)	(12,486,993)	(2,072,516)	(3,862,336)	(62,817,384)
Financial liabilities held for trading	(14,566)	-	-	-	(14,566)
Financial assets sold under repurchase agreements	(70,064,869)	-	-	-	(70,064,869)
Customer deposits	(2,047,698,801)	(27,865,997)	(10,382,756)	(8,825,651)	(2,094,773,205)
Bonds issued	(281,366,611)	(1,178,107)	(204,416)	-	(282,749,134)
Other liabilities	(44,623,958)	(1,418,581)	(335,998)	(61,441)	(46,439,978)
Total liabilities	(3,037,270,521)	(45,616,934)	(13,043,741)	(12,749,459)	(3,108,680,655)
Net exposure in balance sheet	227,499,153	16,101,746	(4,235,336)	(5,292,263)	234,073,300
Net nominal amount of derivative financial instruments	4,711,329	(6,112,043)	4,755,503	(2,035,685)	1,319,104
Loan commitments and financial guarantee contracts	1,281,350,075	16,588,196	554,096	4,057,471	1,302,549,838

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XV Financial instruments and risk management (continued)

1 Market risk (continued)

(1) Foreign exchange risk (continued)

The following table presents the potential impacts of net exposure of foreign currency assets and liabilities and net position of currency derivatives on profit before tax if the spot exchange rate and forward exchange rate of Renminbi to foreign currencies simultaneously appreciate or depreciate by 5%.

	The Group	
	31 December 2022	31 December 2021
	Profit before tax	Profit before tax
Appreciate by 5%	(932,637)	164,091
Depreciate by 5%	932,637	(164,091)

	The Bank	
	31 December 2022	31 December 2021
	Profit before tax	Profit before tax
Appreciate by 5%	(932,637)	159,096
Depreciate by 5%	932,637	(159,096)

The impacts on profit before tax and other comprehensive income are determined based on the assumption that the Group and the Bank's exchange rate sensitive position and net position of currency derivatives as at balance sheet dates remain unchanged. Based on management's judgement of foreign exchange rate changes, the Group mitigates foreign currency risk by actively adjusting foreign currency exposure and using appropriate derivatives. The analysis does not take into consideration of the relevance among changes of different currency exchange rates, and the measures management may take to mitigate foreign currency risk. Therefore, the estimation of sensitivity analysis above may be different from actual results of foreign exchange rate changes.

(2) Interest rate risk

Interest rate risk is the likelihood of loss that may arise from movements in market interest rate. The Group predicts interest rate risk exposure by studying future interest rate movements with various macroeconomic indicators, and predicts future funding movements and trends within the Group by referring to the Group's funding costs, capital adequacy ratios, growth of loans and deposits and other factors, so as to study the interest rate risk appetite of the group.

The Group mainly manages interest rate risk with establishment and adjustment of asset portfolio. Asset portfolio aims at diversifying risks and improves profitability with diversification of assets.

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(2) Interest rate risk (continued)

At present the Renminbi interest rate risk mainly represents the risk arising from interest rate policy fluctuations and the mismatch of interest sensitive assets and liabilities. The Renminbi interest rate risk management of the Group mainly includes:

- (i) Interest rate trend expectation. The Bank closely reviews the interest rate policies to identify the interest rate risk in order to justify interest rate risk limit and the control of risk exposure;
- (ii) Constraint of investment trade by risk benchmark. This is followed by regular reassessment;
- (iii) Modification of investment portfolio and financing structure based on the market expectation;
- (iv) Establishment of authorisation limit on Renminbi deposit and loan interest rate system; and
- (v) Establishment of assets and liabilities management and internal transfer pricing system and adjustment of interest rate risk exposure by various financial tools.

The interest rate risk management of the Group mainly includes:

- (i) Interest rate risk measurement. Currently, the Group has realised the precise measurement of interest rate risk for assets and liabilities. The independent middle office of market risk management has commenced timely monitoring on open interest rate risk. The interest rate risk management system for deposit and loans accounts, i.e., Liquidity Risk and Bank Account Interest Rate Risk Management System is already in use;
- (ii) Determination of the interest rate risk limit. The appropriate interest rate exposure is determined based on the business development and the appetite of the Bank.

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(2) Interest rate risk (continued)

As at the balance sheet date, the Group and the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows:

	The Group					Total
	31 December 2022					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and due from central banks	198,456,256	-	-	-	3,455,389	201,911,645
Due from banks and other financial institutions	13,260,350	-	-	-	798	13,261,148
Placements with banks and other financial institutions	27,323,470	34,260,222	-	-	434,203	62,017,895
Financial assets held under resale agreements	122,585,648	-	-	-	96,323	122,681,971
Loans and advances to customers	724,134,081	1,011,836,389	224,615,209	33,947,922	6,086,622	2,000,620,223
Financial assets held for trading	5,959,123	14,955,764	24,204,880	20,415,075	103,400,092	168,934,934
Debt investments	13,704,916	71,849,576	208,599,101	160,814,663	5,804,143	460,772,399
Other debt investments	21,828,821	77,613,635	148,406,727	68,376,247	3,573,445	319,798,875
Investments in other equity instruments	-	-	-	-	2,348,781	2,348,781
Other assets	-	-	-	-	65,556,361	65,556,361
Total assets	1,127,252,665	1,210,515,586	605,825,917	283,553,907	190,756,157	3,417,904,232
Due to central banks	(3,000,000)	(14,672,000)	-	-	(132,694)	(17,804,694)
Due to banks and other financial institutions	(299,490,544)	(71,505,510)	-	-	(1,543,151)	(372,539,205)
Placements from banks and other financial institutions	(57,139,686)	(7,748,599)	-	-	(168,756)	(65,057,041)
Financial assets sold under repurchase agreements	(180,477,800)	(8,007,073)	-	-	(96,836)	(188,581,709)
Customer deposits	(1,915,030,376)	(65,317,986)	(157,628,001)	(297,290)	(31,624,804)	(2,169,898,457)
Bonds issued	(136,830,304)	(68,646,355)	(81,999,510)	(3,499,947)	(743,017)	(291,719,133)
Other liabilities	-	-	-	-	(50,454,613)	(50,454,613)
Total liabilities	(2,591,968,710)	(235,897,523)	(239,627,511)	(3,797,237)	(84,763,871)	(3,156,054,852)
Asset-liability exposure	(1,464,716,045)	974,618,063	366,198,406	279,756,670	105,992,286	261,849,380

XV Financial instruments and risk management (continued)**1 Market risk (continued)****(2) Interest rate risk (continued)**

As at the balance sheet date, the Group and the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows (continued):

	The Group					Total
	31 December 2021					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and due from central banks	327,434,452	-	-	-	3,877,890	331,312,342
Due from banks and other financial institutions	14,499,055	188,048	-	-	2,710	14,689,813
Placements with banks and other financial institutions	35,533,481	23,651,705	992,053	-	288,311	60,465,550
Financial assets held under resale agreements	151,794,168	-	-	-	108,046	151,902,214
Loans and advances to customers	737,084,115	899,678,759	268,482,314	58,638,644	5,872,571	1,969,756,403
Financial assets held for trading	3,964,894	7,089,234	16,287,611	16,041,543	99,572,693	142,955,975
Debt investments	25,918,970	58,682,975	172,661,545	145,750,888	5,071,939	408,086,317
Other debt investments	12,907,763	30,408,094	92,062,089	71,703,912	3,145,850	210,227,708
Investments in other equity instruments	-	-	-	-	2,114,302	2,114,302
Other assets	-	-	-	-	68,473,922	68,473,922
Total assets	1,309,136,898	1,019,698,815	550,485,612	292,134,987	188,528,234	3,359,984,546
Due to central banks	-	(27,000,000)	-	-	(650,213)	(27,650,213)
Due to banks and other financial institutions	(294,172,950)	(227,314,370)	-	-	(2,654,906)	(524,142,226)
Placements from banks and other financial institutions	(45,611,309)	(17,095,768)	-	-	(110,307)	(62,817,384)
Financial assets sold under repurchase agreements	(63,508,965)	(6,543,280)	-	-	(12,624)	(70,064,869)
Customer deposits	(1,555,575,894)	(261,162,391)	(242,176,199)	(6,553,789)	(29,304,932)	(2,094,773,205)
Bonds issued	(40,814,928)	(178,085,117)	(59,999,539)	(3,499,944)	(349,606)	(282,749,134)
Other liabilities	-	-	-	-	(63,286,760)	(63,286,760)
Total liabilities	(1,999,684,046)	(717,200,926)	(302,175,738)	(10,053,733)	(96,369,348)	(3,125,483,791)
Asset-liability exposure	(690,547,148)	302,497,889	248,309,874	282,081,254	92,158,886	234,500,755

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(2) Interest rate risk (continued)

As at the balance sheet date, the Group and the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows (continued):

	The Bank					
	31 December 2022					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from central banks	198,456,256	-	-	-	3,455,389	201,911,645
Due from banks and other financial institutions	13,030,162	-	-	-	669	13,030,831
Placements with banks and other financial institutions	27,323,470	34,260,222	-	-	434,203	62,017,895
Financial assets held under resale agreements	122,585,648	-	-	-	96,323	122,681,971
Loans and advances to customers	724,134,081	1,011,836,389	224,615,209	33,947,922	6,086,622	2,000,620,223
Financial assets held for trading	5,882,190	14,424,466	23,922,303	20,415,075	102,911,988	167,556,022
Debt investments	13,704,916	71,649,136	207,803,988	158,367,904	5,779,579	457,305,523
Other debt investments	21,828,821	77,613,635	148,406,727	68,317,097	3,572,901	319,739,181
Investments in other equity instruments	-	-	-	-	2,348,781	2,348,781
Other assets	-	-	-	-	70,439,884	70,439,884
Total assets	1,126,945,544	1,209,783,848	604,748,227	281,047,998	195,126,339	3,417,651,956
Due to central banks	(3,000,000)	(14,672,000)	-	-	(132,694)	(17,804,694)
Due to banks and other financial institutions	(299,541,083)	(71,505,510)	-	-	(1,543,208)	(372,589,801)
Placements from banks and other financial institutions	(57,139,686)	(7,748,599)	-	-	(168,756)	(65,057,041)
Financial assets sold under repurchase agreements	(180,477,800)	(8,007,073)	-	-	(96,836)	(188,581,709)
Customer deposits	(1,915,030,376)	(65,317,986)	(157,628,001)	(297,290)	(31,624,804)	(2,169,898,457)
Bonds issued	(136,830,304)	(68,646,355)	(81,999,510)	(3,499,947)	(743,017)	(291,719,133)
Other liabilities	-	-	-	-	(50,413,030)	(50,413,030)
Total liabilities	(2,592,019,249)	(235,897,523)	(239,627,511)	(3,797,237)	(84,722,345)	(3,156,063,865)
Asset-liability exposure	(1,465,073,705)	973,886,325	365,120,716	277,250,761	110,403,994	261,588,091

XV Financial instruments and risk management (continued)**1 Market risk (continued)****(2) Interest rate risk (continued)**

As at the balance sheet date, the Group and the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows (continued):

	The Bank					Total
	31 December 2021					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and due from central banks	327,434,452	-	-	-	3,877,890	331,312,342
Due from banks and other financial institutions	9,449,055	188,048	-	-	1,237	9,638,340
Placements with banks and other financial institutions	35,533,481	23,651,705	992,053	-	288,311	60,465,550
Financial assets held under resale agreements	151,794,168	-	-	-	108,046	151,902,214
Loans and advances to customers	737,084,115	899,678,759	268,482,314	58,638,644	5,872,571	1,969,756,403
Financial assets held for trading	3,964,894	7,089,234	16,287,611	16,041,543	99,572,693	142,955,975
Debt investments	25,918,970	58,682,975	172,661,545	145,750,888	5,071,939	408,086,317
Other debt investments	12,907,763	30,408,094	92,062,089	71,703,912	3,145,850	210,227,708
Investments in other equity instruments	-	-	-	-	2,114,302	2,114,302
Other assets	-	-	-	-	73,375,098	73,375,098
Total assets	1,304,086,898	1,019,698,815	550,485,612	292,134,987	193,427,937	3,359,834,249
Due to central banks	-	(27,000,000)	-	-	(650,213)	(27,650,213)
Due to banks and other financial institutions	(294,201,338)	(227,314,370)	-	-	(2,655,598)	(524,171,306)
Placements from banks and other financial institutions	(45,611,309)	(17,095,768)	-	-	(110,307)	(62,817,384)
Financial assets sold under repurchase agreements	(63,508,965)	(6,543,280)	-	-	(12,624)	(70,064,869)
Customer deposits	(1,555,575,894)	(261,162,391)	(242,176,199)	(6,553,789)	(29,304,932)	(2,094,773,205)
Bonds issued	(40,814,928)	(178,085,117)	(59,999,539)	(3,499,944)	(349,606)	(282,749,134)
Other liabilities	-	-	-	-	(63,178,446)	(63,178,446)
Total liabilities	(1,999,712,434)	(717,200,926)	(302,175,738)	(10,053,733)	(96,261,726)	(3,125,404,557)
Asset-liability exposure	(695,625,536)	302,497,889	248,309,874	282,081,254	97,166,211	234,429,692

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

1 Market risk (continued)

(2) Interest rate risk (continued)

The table below illustrates the potential impact on the profit for the year and other comprehensive income before tax over the next 12 months on the assumption of a 100 basis point parallel move of the relevant yield curve based on the structure of the Group and the Bank's interest-earning assets and interest-bearing liabilities at the end of the reporting period. The analysis assumes that the interest rates of all periods move at the same levels and does not reflect the scenarios where some interest rates change while others remain constant.

The sensitivity analysis on profit for the year is based on possible changes in the expectation of interest rate. It is assumed that the structure of the holdings of financial assets and financial liabilities remains constant, while customer behaviour, basis risk or the option of premature repayment on debt are not considered.

The sensitivity analysis on other comprehensive income refers to the impact of changes in certain interest rates on the fair value changes arising from reassessment of other debt investments and investments in other equity instruments measured at fair value through other comprehensive income as at balance sheet dates.

	The Group			
	31 December 2022		31 December 2021	
	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income
+ 100 basis points	(1,081,761)	(5,802,322)	1,807,487	(4,911,755)
- 100 basis points	1,081,761	6,167,357	(1,807,487)	5,285,130

	The Bank			
	31 December 2022		31 December 2021	
	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income
+ 100 basis points	(1,086,166)	(5,798,757)	1,772,738	(4,911,755)
- 100 basis points	1,086,166	6,163,433	(1,772,738)	5,285,130

The related assumptions do not consider the measures the Group and the Bank may take to mitigate interest rate risk due to capital utilisation and interest rate risk management policies. Therefore, the results of the analysis above may be different from actual conditions.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the estimated changes in profit for the year and other comprehensive income under different parallel move of the relevant yield curve and the Group and the Bank's current exposure to interest rate risk other than derivative financial instruments.

XV Financial instruments and risk management (continued)

2 Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor to meet its obligation or commitment to the Group. It arises primarily from the Group's credit asset portfolios.

Concentration of credit risk: When a certain number of customers conduct the same operating activities, are situated in the same geographical location or their industries have similar economic characteristics, their ability to honour their contracts would be influenced by the same economic change. Concentration of credit risk reflects the sensitivity of the Group's results to a specific industry or geographical location. The Group formulates credit risk asset portfolio limits from the dimensions of region, industry, customer, product, and maturity based on the principle of credit risk asset portfolio management. The principal place of business of the Group is Mainland China. However, Mainland China covers a wide range of land with specific characteristics developed for the economy of each region (e.g., some regions are designated by the central government as special economic zones to attract investment). As a result, the risks among regions differ.

To identify, evaluate and monitor credit risk, the Group designs reporting structure, credit policies and processes required for effective credit risk management and implements systematic control procedures. As approved by the Board of Directors, the Group optimises its credit approval process, in which both management and control of credit risks are reinforced while function and responsibilities of credit approval section are further specified. The Vice President in charge of risk is responsible for all the operations regarding the Bank's risk management, and also leads relevant departments to formulate the credit policies and standards from time to time, to analyse the development of credit business and the level of risk management, and to approve loans with amounts not exceeding the authorised limit in accordance with relevant rules, regulations and monetary policies in the PRC and the Bank's business strategy.

With respect to the credit risk management of corporate and institutional business, the Group develops the industry-specific guidelines, improves policies of credit client acceptance and decline, and implements its credit structure adjustment policies and credit risk limit management, which facilitates the improvement in credit structure. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Assessment on the income level, credit history, and repayment ability of the applicant is required. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral's value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, where appropriate, the Group requests customers to provide collateral and guarantees. It also sets guidelines as to the use and suitability of specific types of collateral. Collateral structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-disbursement loan management and collateral requirements as for loans and advances to customers.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

The Group has individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, bonds and equities
- Accounts receivables and right to receive payments
- Inventory

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will request for early loan repayment or seek additional collateral from counterparties, require additional guarantors.

Grouping of similar credit risk

The Group has classified exposures with similar risk characteristics when the provision for ECL is made on a grouping basis. The main grouping reference indicators currently include industry, business type, and method of collateral and pledge.

Credit risk measurement

Measurement of ECL

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increase in credit risk since initial recognition are included in Stage 1 to calculate their provision for impairment at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their provision for impairment measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their provision for impairment measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the provision for impairment has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the provision for impairment of the financial instruments on the balance sheet date of the current period on the 12-month ECL basis.

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in ECL since initial recognition on the financial reporting date as provision for impairment. On each financial reporting date, the Group recognises the amount of the changes in lifetime ECL as an impairment losses or gains in profit or loss for the current period.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

It is not necessary to identify every possible situation when measuring the ECL. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the likelihood of a credit loss occurring and the likelihood that a credit loss will not occur, even if the likelihood of such a loss is extremely low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions involve future macro-economic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of default and credit-impaired assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flows

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group regularly monitors and reviews assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, changes in customer conditions, Gross Domestic Product (“GDP”) and Consumer Price Index (“CPI”), etc.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Internal credit risk rating

The Group conducts internal rating on the risk characteristics of assets based on the quality status of assets, and classifies the credit ratings of financial assets included in the measurement of expected credit losses into sixteen levels. Internal credit risk rating is based on quantitative and qualitative factors.

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include overdue days exceeding 30 days, a significant decline in internal credit ratings, credit risk classification as "Special mention", and other circumstances that indicates credit risk changes significantly.

The Group adheres to the estimate of substantial risk, taking into account the changes in the operating ability and debt paying ability of the borrower to assess whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

Definition of default and credit-impaired assets

When a credit impairment occur on the financial assets, the group define the financial assets having defaulted. The standard adopted by the Group to determine whether a credit impairment occurs under New Financial Instrument Standards is consistent with the internal credit risk management objectives of the relevant financial instruments, taking into account quantitative and qualitative criteria. When the Group assesses whether there is credit impairment of debtor, the following factors are mainly considered:

- Be classified into Substandard, Doubtful or Loss category within five-tier loan classification;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Bank overdue for more than 90 days;
- Internal credit rating is defaulted.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with 12-month ECL or lifetime ECL. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of New Financial Instrument Standards, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, Case-Shiller index.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistic model with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average 12-month ECL (Stage 1) or lifetime ECL (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

During the reporting period, the Group updated forward-looking information such as key economic indicators based on changes in the current macroeconomic environment.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Forward-looking information (continued)

With the quarter-on-quarter changes of GDP and M2 as examples, the estimations are calculated under the benchmark, optimistic and pessimistic scenarios through the statistical model based on actual historical data. The details are presented below:

Indicator	Average estimation under the benchmark in 2023
Quarter-on-quarter changes of GDP	4.93%
Quarter-on-quarter changes of M2	9.80%

Sensitive information

Changes in parameters for measuring ECL and in forward-looking information can have an impact on the judgement of significant increase in credit risk and the measurement of ECL.

As at 31 December 2022, the Group's provision for credit impairment would be decreased by no more than 1% of the current provision for credit impairment in case of a 5% increase in the weight of the optimistic scenario and a 5% decrease in the weight of the basic scenario. The Group's provision for credit impairment would be increased by no more than 1% of the current provision for credit impairment in case of a 5% increase in the weight of the pessimistic scenario and a 5% decrease in the weight of the basic scenario.

As at 31 December 2021, the Bank's provision for credit impairment would be decreased by no more than 2% of the current provision for credit impairment in case of a 5% increase in the weight of the optimistic scenario and a 5% decrease in the weight of the basic scenario. The Bank's provision for credit impairment would be increased by no more than 2% of the current provision for credit impairment in case of a 5% increase in the weight of the pessimistic scenario and a 5% decrease in the weight of the basic scenario.

Modification of contractual cash flows

If the Group amends or rearranges the contract with its counterparty, which does not result in the derecognition of the financial assets, but changes the contractual cash flows, the Group shall assess the default risk of the modified asset at the reporting date by comparing it with the risk of default at initial recognition under the original terms when the modification of the contract does not result in a material change or derecognition of the original asset. The gross carrying amount of the financial asset shall be recalculated and related gains or losses shall be recognised in profit or loss for the current period. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. If the Group concludes that the credit risk has significantly improved after modification, the assets are moved from Stage 3 or Stage 2 to Stage 1 when certain conditions are met, and the provision for impairment is calculated on the 12-month ECL basis instead of the lifetime ECL basis. As at 31 December 2022, the carrying amount of financial assets modified by such contractual cash flows is not significant.

XV Financial instruments and risk management (continued)**2 Credit risk (continued)****(1) Maximum credit risk exposure**

Maximum exposure to credit risk before considering collateral held or other credit enhancements

Without taking into account of any collateral held or any other credit enhancement, the maximum credit risk exposure at the end of each period represents the worst scenario. The Group and the Bank's credit risk exposure arises mainly from its credit business as well as its treasury business. In addition, the Group is also exposed to credit risk for off-balance sheet items such as loan commitments, unused credit card limits, bank acceptance notes, issuance of guarantees and warranties and letters of credit.

	The Group				
	31 December 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
Due from central banks	198,673,929	-	-	-	198,673,929
Due from banks and other financial institutions	13,246,590	14,558	-	-	13,261,148
Placements with banks and other financial institutions	62,017,895	-	-	-	62,017,895
Derivative financial assets	-	-	-	11,891,950	11,891,950
Financial assets held under resale agreements	122,681,971	-	-	-	122,681,971
Loans and advances to customers	1,912,517,408	71,689,995	16,412,820	-	2,000,620,223
Financial assets held for trading	-	-	-	67,113,966	67,113,966
Debt investments	457,004,503	371,484	3,396,412	-	460,772,399
Other debt investments	319,789,804	-	9,071	-	319,798,875
Other assets	9,976,022	201,423	194,997	-	10,372,442
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,318,353,842	17,435,965	677,683	-	1,336,467,490
Total	4,414,261,964	89,713,425	20,690,983	79,005,916	4,603,672,288

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

(1) Maximum credit risk exposure (continued)

	The Group				Total
	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	
Credit risk exposures relating to on-balance sheet assets are as follows:					
Due from central banks	327,717,542	-	-	-	327,717,542
Due from banks and other financial institutions	14,687,813	2,000	-	-	14,689,813
Placements with banks and other financial institutions	60,465,550	-	-	-	60,465,550
Derivative financial assets	-	-	-	17,080,294	17,080,294
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,914,021,043	45,104,960	10,630,400	-	1,969,756,403
Financial assets held for trading	-	-	-	44,353,740	44,353,740
Debt investments	404,409,356	1,078,314	2,598,647	-	408,086,317
Other debt investments	210,182,015	-	45,693	-	210,227,708
Other assets	12,057,206	138,723	187,428	-	12,383,357
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,278,988,697	20,118,849	610,252	-	1,299,717,798
Total	4,374,431,436	66,442,846	14,072,420	61,434,034	4,516,380,736

XV Financial instruments and risk management (continued)**2 Credit risk (continued)****(1) Maximum credit risk exposure (continued)**

	The Bank				
	31 December 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
Due from central banks	198,673,929	-	-	-	198,673,929
Due from banks and other financial institutions	13,016,273	14,558	-	-	13,030,831
Placements with banks and other financial institutions	62,017,895	-	-	-	62,017,895
Derivative financial assets	-	-	-	11,891,950	11,891,950
Financial assets held under resale agreements	122,681,971	-	-	-	122,681,971
Loans and advances to customers	1,912,517,408	71,689,995	16,412,820	-	2,000,620,223
Financial assets held for trading	-	-	-	66,223,159	66,223,159
Debt investments	453,537,627	371,484	3,396,412	-	457,305,523
Other debt investments	319,730,110	-	9,071	-	319,739,181
Other assets	9,909,037	201,423	194,997	-	10,305,457
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,318,353,842	17,435,965	677,683	-	1,336,467,490
Total	4,410,438,092	89,713,425	20,690,983	78,115,109	4,598,957,609

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

(1) Maximum credit risk exposure (continued)

	The Bank				Total
	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	
Credit risk exposures relating to on-balance sheet assets are as follows:					
Due from central banks	327,717,542	-	-	-	327,717,542
Due from banks and other financial institutions	9,636,340	2,000	-	-	9,638,340
Placements with banks and other financial institutions	60,465,550	-	-	-	60,465,550
Derivative financial assets	-	-	-	17,080,294	17,080,294
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,914,021,043	45,104,960	10,630,400	-	1,969,756,403
Financial assets held for trading	-	-	-	44,353,740	44,353,740
Debt investments	404,409,356	1,078,314	2,598,647	-	408,086,317
Other debt investments	210,182,015	-	45,693	-	210,227,708
Other assets	12,057,206	138,723	187,428	-	12,383,357
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,278,988,697	20,118,849	610,252	-	1,299,717,798
Total	4,369,379,963	66,442,846	14,072,420	61,434,034	4,511,329,263

XV Financial instruments and risk management (continued)**2 Credit risk (continued)****(2) Credit quality analysis of financial assets**

	The Group				
	31 December 2022				
	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	42,837,256	379,000	403,313	7,515,878	520,767
– Provision for impairment	(26,424,436)	(379,000)	(403,313)	(4,110,394)	(354,375)
Sub-total	16,412,820	–	–	3,405,484	166,392
Overdue within 3 months but not credit impaired					
– Gross amount	10,462,317	–	–	–	342,827
– Provision for impairment	(2,737,028)	–	–	–	–
Sub-total	7,725,289	–	–	–	342,827
Neither overdue nor credit impaired					
– Gross amount	2,002,793,772	75,454,053	122,681,971	845,132,305	9,767,633
– Provision for impairment	(26,311,658)	(175,010)	–	(852,549)	–
Sub-total	1,976,482,114	75,279,043	122,681,971	844,279,756	9,767,633
Total	2,000,620,223	75,279,043	122,681,971	847,685,240	10,276,852

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

(2) Credit quality analysis of financial assets (continued)

	The Group				
	31 December 2021				
	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	32,674,301	379,000	403,313	7,429,701	490,596
– Provision for impairment	(22,043,901)	(379,000)	(403,313)	(4,785,361)	(303,168)
Sub-total	10,630,400	–	–	2,644,340	187,428
Overdue within 3 months but not credit impaired					
– Gross amount	8,589,532	–	–	900,181	222,468
– Provision for impairment	(3,142,075)	–	–	(198,225)	–
Sub-total	5,447,457	–	–	701,956	222,468
Neither overdue nor credit impaired					
– Gross amount	1,981,115,649	75,347,461	151,902,214	660,072,705	11,973,461
– Provision for impairment	(27,437,103)	(192,098)	–	(751,236)	–
Sub-total	1,953,678,546	75,155,363	151,902,214	659,321,469	11,973,461
Total	1,969,756,403	75,155,363	151,902,214	662,667,765	12,383,357

XV Financial instruments and risk management (continued)**2 Credit risk (continued)****(2) Credit quality analysis of financial assets (continued)**

	The Bank				
	31 December 2022				
	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	42,837,256	379,000	403,313	7,515,878	520,767
– Provision for impairment	(26,424,436)	(379,000)	(403,313)	(4,110,394)	(354,375)
Sub-total	16,412,820	–	–	3,405,484	166,392
Overdue within 3 months but not credit impaired					
– Gross amount	10,462,317	–	–	–	342,827
– Provision for impairment	(2,737,028)	–	–	–	–
Sub-total	7,725,289	–	–	–	342,827
Neither overdue nor credit impaired					
– Gross amount	2,002,793,772	75,223,709	122,681,971	840,714,658	9,767,633
– Provision for impairment	(26,311,658)	(174,983)	–	(852,279)	–
Sub-total	1,976,482,114	75,048,726	122,681,971	839,862,379	9,767,633
Total	2,000,620,223	75,048,726	122,681,971	843,267,863	10,276,852

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

(2) Credit quality analysis of financial assets (continued)

	The Bank				
	31 December 2021				
	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	32,674,301	379,000	403,313	7,429,701	490,596
– Provision for impairment	(22,043,901)	(379,000)	(403,313)	(4,785,361)	(303,168)
Sub-total	10,630,400	–	–	2,644,340	187,428
Overdue within 3 months but not credit impaired					
– Gross amount	8,589,532	–	–	900,181	222,468
– Provision for impairment	(3,142,075)	–	–	(198,225)	–
Sub-total	5,447,457	–	–	701,956	222,468
Neither overdue nor credit impaired					
– Gross amount	1,981,115,649	70,295,988	151,902,214	660,072,705	11,973,461
– Provision for impairment	(27,437,103)	(192,098)	–	(751,236)	–
Sub-total	1,953,678,546	70,103,890	151,902,214	659,321,469	11,973,461
Total	1,969,756,403	70,103,890	151,902,214	662,667,765	12,383,357

(i) Investments comprise financial assets held for trading, debt investments, other debt investments.

(ii) Others comprise interest receivable, suspense account for clearing and other receivables.

XV Financial instruments and risk management (continued)**2 Credit risk (continued)****(3) Credit rating of debt investments as at the balance sheet date by rating agencies:**

Credit rating	The Group			
	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2022				
AAA	30,882,185	91,521,904	64,211,601	186,615,690
AA+ to AA-	815,751	-	-	815,751
AA to A-	417,577	268,948	8,003,779	8,690,304
BBB or below	5,134,316	139,777	1,785,110	7,059,203
Unrated				
– Government bonds	5,234,283	187,829,756	119,410,185	312,474,224
– Financial institution bonds	12,648,246	107,050,429	85,014,012	204,712,687
– Interbank deposits	-	344,795	40,804,794	41,149,589
– Corporate bonds	152,334	-	569,394	721,728
– Fund trust and asset management plans	11,829,275	13,655,014	-	25,484,289
– Fund investment	101,820,967	-	-	101,820,967
– Debt financing plan	-	59,961,776	-	59,961,776
	The Group			
Credit rating	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2021				
AAA	22,838,735	192,517,030	87,381,412	302,737,177
AA+ to AA-	1,226,434	51,928	403,411	1,681,773
AA to A-	-	364,028	5,218,215	5,582,243
BBB or below	5,370	254,504	3,620,861	3,880,735
Unrated				
– Government bonds	2,420,722	84,364,349	46,203,808	132,988,879
– Financial institution bonds	6,757,472	47,876,488	66,945,443	121,579,403
– Corporate bonds	567,561	52,918	454,558	1,075,037
– Fund trust and asset management plans	10,837,721	20,717,359	-	31,555,080
– Fund investment	98,301,960	-	-	98,301,960
– Debt financing plan	-	61,887,713	-	61,887,713

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

2 Credit risk (continued)

(3) Credit rating of debt investments as at the balance sheet date by rating agencies (continued):

Credit rating	The Bank			
	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2022				
AAA	30,599,608	90,872,606	64,211,601	185,683,815
AA+ to AA-	815,751	-	-	815,751
AA to A-	417,577	268,948	8,003,779	8,690,304
BBB or below	5,134,316	139,777	1,785,110	7,059,203
Unrated				
- Government bonds	5,234,283	185,012,178	119,350,491	309,596,952
- Financial institution bonds	12,648,246	107,050,429	85,014,012	204,712,687
- Interbank deposits	-	344,795	40,804,794	41,149,589
- Asset-backed securities	-	-	-	-
- Corporate bonds	152,334	-	569,394	721,728
- Fund trust and asset management plans	11,221,044	13,655,014	-	24,876,058
- Fund investment	101,332,863	-	-	101,332,863
- Debt financing plan	-	59,961,776	-	59,961,776

Credit rating	The Bank			
	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2021				
AAA	22,838,735	192,517,030	87,381,412	302,737,177
AA+ to AA-	1,226,434	51,928	403,411	1,681,773
AA to A-	-	364,028	5,218,215	5,582,243
BBB or below	5,370	254,504	3,620,861	3,880,735
Unrated				
- Government bonds	2,420,722	84,364,349	46,203,808	132,988,879
- Financial institution bonds	6,757,472	47,876,488	66,945,443	121,579,403
- Interbank deposits	-	-	-	-
- Asset-backed securities	-	-	-	-
- Corporate bonds	567,561	52,918	454,558	1,075,037
- Fund trust and asset management plans	10,837,721	20,717,359	-	31,555,080
- Fund investment	98,301,960	-	-	98,301,960
- Debt financing plan	-	61,887,713	-	61,887,713

Unrated bonds mainly comprise investments and trading securities issued by the Ministry of Finance, central bank, policy banks and other financial institutions that are market credit issuers but have not yet been rated by independent rating agencies.

XV Financial instruments and risk management (continued)

3 Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds at a reasonable cost for timely repayment of debts, performance of other payment obligations and satisfaction of other financial needs for normal business.

In accordance with the principle of separation of policy formulation, implementation and supervision functions, the Group has established a governance structure for liquidity risk management. It defines the functions, responsibilities and reporting lines of the Board of Directors and its special committees, the Board of Supervisors, the senior management, the Assets and Liabilities Management Committee and relevant departments to improve the effectiveness of liquidity risk management.

The Group strictly enforces regulatory requirements and the Bank's internal policies, adheres to a sound and prudent liquidity risk management strategy in accordance with the liquidity risk appetite requirements set by the Board of Directors, strengthens day-to-day liquidity management, increases the allocation of high-quality liquid assets, maintains moderate and reasonable provision and ensures a safe and smooth payment clearing process. The Group continuously optimises the asset and liability structure and prudently manages risk exposures. Through internal transfer price instruments, the Group proactively adjusts the total amount, structure and cash flow gap limits of assets and liabilities, extends the duration of liabilities, improves the stability of liabilities and narrows the maturity mismatch. The Group applies a variety of liquidity risk management tools and techniques to measure, assess, monitor and control bank-wide liquidity risk indicators, conducts quarterly the liquidity risk stress tests to analyse the liquidity risk tolerance and risk mitigation capacity under various scenarios. In addition, the Group conducts liquidity emergency drills regularly to verify the effectiveness and timeliness of emergency measures, to ensure a safe and smooth liquidity situation for the Bank under various contingencies.

(1) Undiscounted contractual cash flows categorised by contractual maturities

	The Group							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	39,026,404	-	-	-	-	-	162,885,241	201,911,645
Due from banks and other financial institutions	13,031,046	-	230,102	-	-	-	-	13,261,148
Placements with banks and other financial institutions	-	5,900,676	21,899,041	34,821,956	-	-	-	62,621,673
Financial assets held under resale agreements	-	122,753,682	-	-	-	-	-	122,753,682
Loans and advances to customers (i)	279,426,125	90,079,060	166,454,676	622,576,814	438,433,037	659,853,537	18,760,891	2,275,584,140
Financial assets held for trading	104,962,178	163,976	3,975,238	16,097,542	27,888,842	22,572,402	-	175,660,178
Debt investments	1,035,953	4,167,462	11,678,447	83,616,042	243,974,745	179,069,113	-	523,541,762
Other debt investments	9,072	11,454,632	12,444,028	82,656,371	166,845,463	75,464,038	-	348,873,604
Investments in other equity instruments	-	-	-	-	-	-	2,348,781	2,348,781
Other assets	230,502	8,776,316	220,186	275,763	142,442	42,540	1,729,692	11,417,441
Total non-derivative assets	437,721,280	243,295,804	216,901,718	840,044,488	877,284,529	937,001,630	185,724,605	3,737,974,054

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For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

	The Group							
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Due to central banks	-	(1,061,864)	(2,057,513)	(14,975,446)	-	-	-	(18,094,823)
Due to banks and other financial institutions	(38,594,212)	(62,260,622)	(200,510,320)	(72,337,681)	-	-	-	(373,702,835)
Placements from banks and other financial institutions	-	(41,543,572)	(15,845,963)	(7,801,339)	-	-	-	(65,190,874)
Financial assets sold under repurchase agreements	-	(173,076,232)	(7,687,414)	(8,120,482)	-	-	-	(188,884,128)
Financial liabilities held for trading	(122,614)	-	-	-	(11,614)	-	-	(134,228)
Customer deposits	(891,007,559)	(1,015,711,466)	(24,897,840)	(75,587,178)	(177,707,097)	(335,603)	-	(2,185,246,743)
Bonds issued	-	(17,864,836)	(124,015,808)	(101,818,814)	(88,560,400)	(3,973,550)	-	(336,233,408)
Other liabilities	(424,700)	(1,842,738)	(605,460)	(1,280,770)	(3,327,631)	(605,765)	(733,811)	(8,820,875)
Total non-derivative liabilities	(930,149,085)	(1,313,361,330)	(375,620,318)	(281,921,710)	(269,606,742)	(4,914,918)	(733,811)	(3,176,307,914)
Net position	(492,427,805)	(1,070,065,526)	(158,718,600)	558,122,778	607,677,787	932,086,712	184,990,794	561,666,140
Derivative financial instruments settled on a total basis								
Cash inflows	819,479	80,780,415	78,635,122	183,109,864	18,883,827	1,775	-	362,230,482
Cash outflows	(1,520,470)	(94,408,693)	(90,270,608)	(149,596,158)	(18,493,419)	(2,239)	-	(354,291,587)
Derivative financial instruments settled on a net basis	5,067	13,613	60,607	(17,221)	259,760	-	-	321,826

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)**

	The Group							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	13,720,054	463,932	317,409	188,966	-	-	-	14,690,361
Placements with banks and other financial institutions	-	22,970,113	12,759,673	24,342,335	1,042,192	-	-	61,114,313
Financial assets held under resale agreements	-	151,981,798	-	-	-	-	-	151,981,798
Loans and advances to customers (i)	298,687,736	96,337,511	164,430,176	565,177,118	436,903,478	680,268,590	11,478,038	2,253,282,647
Financial assets held for trading	102,165,952	546,867	639,138	8,234,519	18,920,572	17,923,278	-	148,430,326
Debt investments	3,300,603	2,738,334	23,273,178	69,778,095	205,087,698	166,160,598	-	470,338,506
Other debt investments	45,693	8,170,311	6,341,910	35,762,935	109,488,509	80,982,554	-	240,791,912
Investments in other equity instruments	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	168,302	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total non-derivative assets	581,941,887	294,121,319	207,828,611	704,043,285	771,673,911	945,355,486	182,438,303	3,687,402,802

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

	The Group							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	(2,304,184)	(23,005,395)	(5,703,069)	-	-	-	(31,012,648)
Due to banks and other financial institutions	(40,310,293)	(126,124,139)	(126,856,382)	(233,936,277)	-	-	-	(527,227,091)
Placements from banks and other financial institutions	-	(33,945,326)	(11,771,141)	(17,205,000)	-	-	-	(62,921,467)
Financial assets sold under repurchase agreements	-	(58,328,873)	(5,284,786)	(6,651,251)	-	-	-	(70,264,910)
Financial liabilities held for trading	(9,823)	-	-	-	(4,743)	-	-	(14,566)
Customer deposits	(840,946,415)	(618,313,125)	(113,306,540)	(275,183,566)	(265,441,148)	(7,548,719)	-	(2,120,739,513)
Bonds issued	-	(23,685,618)	(17,238,725)	(181,150,778)	(60,321,140)	(3,525,515)	-	(285,921,776)
Other liabilities	(420,442)	(3,890,452)	(472,951)	(1,309,063)	(3,593,036)	(707,216)	(52,186)	(10,445,346)
Total non-derivative liabilities	(881,686,973)	(866,591,717)	(297,935,920)	(721,139,004)	(329,360,067)	(11,781,450)	(52,186)	(3,108,547,317)
Net position	(299,745,086)	(572,470,398)	(90,107,309)	(17,095,719)	442,313,844	933,574,036	182,386,117	578,855,485
Derivative financial instruments settled on a total basis								
Cash inflows	6,540,104	126,156,290	94,446,658	202,400,432	4,582,481	-	-	434,125,965
Cash outflows	(6,539,626)	(126,347,869)	(94,204,939)	(199,595,355)	(4,526,693)	-	-	(431,214,482)
Derivative financial instruments settled on a net basis	-	6,592	(15,606)	8,328	(44,143)	-	-	(44,829)

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)**

	The Bank							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	39,026,404	-	-	-	-	-	162,885,241	201,911,645
Due from banks and other financial institutions	13,030,831	-	-	-	-	-	-	13,030,831
Placements with banks and other financial institutions	-	5,900,676	21,899,041	34,821,956	-	-	-	62,621,673
Financial assets held under resale agreements	-	122,753,682	-	-	-	-	-	122,753,682
Loans and advances to customers (i)	279,426,125	90,079,060	166,454,676	622,576,814	438,433,037	659,853,537	18,760,891	2,275,584,140
Financial assets held for trading	104,474,073	87,546	3,974,735	15,553,791	27,568,907	22,572,402	-	174,231,454
Debt investments	1,035,953	4,167,462	11,678,447	83,322,367	242,839,191	176,433,114	-	519,476,534
Other debt investments	9,072	11,454,632	12,443,355	82,655,422	166,838,979	75,396,921	-	348,798,381
Investments in other equity instruments	-	-	-	-	-	-	2,348,781	2,348,781
Other assets	228,903	8,776,316	107,013	275,763	137,408	42,540	1,729,692	11,297,635
Total non-derivative assets	437,231,361	243,219,374	216,557,267	839,206,113	875,817,522	934,298,514	185,724,605	3,732,054,756

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

	The Bank							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	(1,061,864)	(2,057,513)	(14,975,446)	-	-	-	(18,094,823)
Due to banks and other financial institutions	(38,644,808)	(62,260,622)	(200,510,320)	(72,337,681)	-	-	-	(373,753,431)
Placements from banks and other financial institutions	-	(41,543,572)	(15,845,963)	(7,801,339)	-	-	-	(65,190,874)
Financial assets sold under repurchase agreements	-	(173,076,232)	(7,687,414)	(8,120,482)	-	-	-	(188,884,128)
Financial liabilities held for trading	(122,614)	-	-	-	(11,614)	-	-	(134,228)
Customer deposits	(891,007,559)	(1,015,711,466)	(24,897,840)	(75,587,178)	(177,707,097)	(335,603)	-	(2,185,246,743)
Bonds issued	-	(17,864,836)	(124,015,808)	(101,818,814)	(88,560,400)	(3,973,550)	-	(336,233,408)
Other liabilities	(420,532)	(1,841,859)	(604,900)	(1,333,593)	(3,327,631)	(605,765)	(733,811)	(8,868,091)
Total non-derivative liabilities	(930,195,513)	(1,313,360,451)	(375,619,758)	(281,974,533)	(269,606,742)	(4,914,918)	(733,811)	(3,176,405,726)
Net position	(492,964,152)	(1,070,141,077)	(159,062,491)	557,231,580	606,210,780	929,383,596	184,990,794	555,649,030
Derivative financial instruments settled on a total basis								
Cash inflows	819,479	80,780,415	78,635,122	183,109,864	18,883,827	1,775	-	362,230,482
Cash outflows	(1,520,470)	(94,408,693)	(90,270,608)	(149,596,158)	(18,493,419)	(2,239)	-	(354,291,587)
Derivative financial instruments settled on a net basis	5,067	13,613	60,607	(17,221)	259,760	-	-	321,826

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)**

	The Bank							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	8,668,581	463,932	317,409	188,966	-	-	-	9,638,888
Placements with banks and other financial institutions	-	22,970,113	12,759,673	24,342,335	1,042,192	-	-	61,114,313
Financial assets held under resale agreements	-	151,981,798	-	-	-	-	-	151,981,798
Loans and advances to customers (i)	298,687,736	96,337,511	164,430,176	565,177,118	436,903,478	680,268,590	11,478,038	2,253,282,647
Financial assets held for trading	102,165,952	546,867	639,138	8,234,519	18,920,572	17,923,278	-	148,430,326
Debt investments	3,300,603	2,738,334	23,273,178	69,778,095	205,087,698	166,160,598	-	470,338,506
Other debt investments	45,693	8,170,311	6,341,910	35,762,935	109,488,509	80,982,554	-	240,791,912
Investments in other equity instruments	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	168,302	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total non-derivative assets	576,890,414	294,121,319	207,828,611	704,043,285	771,673,911	945,355,486	182,438,303	3,682,351,329

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

	The Bank							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	(2,304,184)	(23,005,395)	(5,703,069)	-	-	-	(31,012,648)
Due to banks and other financial institutions	(40,338,681)	(126,124,139)	(126,856,382)	(233,936,277)	-	-	-	(527,255,479)
Placements from banks and other financial institutions	-	(33,945,326)	(11,771,141)	(17,205,000)	-	-	-	(62,921,467)
Financial assets sold under repurchase agreements	-	(58,328,873)	(5,284,786)	(6,651,251)	-	-	-	(70,264,910)
Financial liabilities held for trading	(9,823)	-	-	-	(4,743)	-	-	(14,566)
Customer deposits	(840,946,415)	(618,313,125)	(113,306,540)	(275,183,566)	(265,441,148)	(7,548,719)	-	(2,120,739,513)
Bonds issued	-	(23,685,618)	(17,238,725)	(181,150,778)	(60,321,140)	(3,525,515)	-	(285,921,776)
Other liabilities	(420,442)	(3,890,452)	(472,951)	(1,309,063)	(3,593,036)	(707,216)	(52,186)	(10,445,346)
Total non-derivative liabilities	(881,715,361)	(866,591,717)	(297,935,920)	(721,139,004)	(329,360,067)	(11,781,450)	(52,186)	(3,108,575,705)
Net position	(304,824,947)	(572,470,398)	(90,107,309)	(17,095,719)	442,313,844	933,574,036	182,386,117	573,775,624
Derivative financial instruments settled on a total basis								
Cash inflows	6,540,104	126,156,290	94,446,658	202,400,432	4,582,481	-	-	434,125,965
Cash outflows	(6,539,626)	(126,347,869)	(94,204,939)	(199,595,355)	(4,526,693)	-	-	(431,214,482)
Derivative financial instruments settled on a net basis	-	6,592	(15,606)	8,328	(44,143)	-	-	(44,829)

- (i) For loans and advances to customers, the “indefinite” period represents the balance being impaired or not impaired and overdue for more than one month. The balance not impaired and overdue within one month is included in “overdue”. They are disclosed with net amount measured at cost less impairment.

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(2) Maturity analysis**

The table below summarises the maturity analysis of the carrying amount of assets and liabilities based on the remaining maturity from the balance sheet date to the contract maturities:

	The Group							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	39,026,404	-	-	-	-	-	162,885,241	201,911,645
Due from banks and other financial institutions	13,031,046	-	230,102	-	-	-	-	13,261,148
Placements with banks and other financial institutions	-	5,895,511	21,792,102	34,330,282	-	-	-	62,017,895
Financial assets held under resale agreements	-	122,681,971	-	-	-	-	-	122,681,971
Loans and advances to customers	279,426,125	90,133,803	166,092,961	613,052,655	389,106,891	444,046,897	18,760,891	2,000,620,223
Derivative financial assets	20,710	1,302,277	1,745,352	4,633,308	4,188,466	1,837	-	11,891,950
Financial assets held for trading	104,961,051	136,382	3,742,174	14,979,051	24,544,433	20,571,843	-	168,934,934
Debt investments	1,035,953	3,167,103	9,724,149	72,763,267	211,058,945	163,022,982	-	460,772,399
Other debt investments	9,072	10,772,516	11,157,398	77,866,159	150,396,382	69,597,348	-	319,798,875
Investments in other equity instruments	-	-	-	-	-	-	2,348,781	2,348,781
Other assets	230,502	8,776,316	220,186	275,763	142,442	42,540	1,729,692	11,417,441
Total assets	437,740,863	242,865,879	214,704,424	817,900,485	779,437,559	697,283,447	185,724,605	3,375,657,262

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(2) Maturity analysis (continued)

	The Group							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	(1,027,251)	(2,047,786)	(14,729,657)	-	-	-	(17,804,694)
Due to banks and other financial institutions	(38,594,212)	(62,232,430)	(199,809,726)	(71,902,837)	-	-	-	(372,539,205)
Placements from banks and other financial institutions	-	(41,523,825)	(15,764,639)	(7,768,577)	-	-	-	(65,057,041)
Financial assets sold under repurchase agreements	-	(173,004,625)	(7,588,744)	(7,988,340)	-	-	-	(188,581,709)
Financial liabilities held for trading	(122,614)	-	-	-	(11,614)	-	-	(134,228)
Derivative financial liabilities	(6,435)	(1,194,684)	(1,883,606)	(3,988,295)	(4,197,064)	-	-	(11,270,084)
Customer deposits	(891,007,559)	(1,014,069,157)	(23,821,583)	(71,658,223)	(169,044,326)	(297,609)	-	(2,169,898,457)
Bonds issued	-	(16,807,595)	(120,032,414)	(68,681,494)	(82,672,168)	(3,525,462)	-	(291,719,133)
Other liabilities	(424,700)	(1,841,961)	(604,698)	(1,262,594)	(3,053,187)	(486,836)	(733,811)	(8,407,787)
Total liabilities	(930,155,520)	(1,311,701,528)	(371,553,196)	(247,980,017)	(258,978,359)	(4,309,907)	(733,811)	(3,125,412,338)
Net liquidity	(492,414,657)	(1,068,835,649)	(156,848,772)	569,920,468	520,459,200	692,973,540	184,990,794	250,244,924

XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(2) Maturity analysis (continued)

	The Group							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	13,720,054	463,742	317,332	188,685	-	-	-	14,689,813
Placements with banks and other financial institutions	-	22,967,382	12,649,876	23,855,475	992,817	-	-	60,465,550
Financial assets held under resale agreements	-	151,902,214	-	-	-	-	-	151,902,214
Loans and advances to customers	298,693,892	96,396,060	164,092,594	556,488,071	386,152,558	456,455,190	11,478,038	1,969,756,403
Derivative financial assets	5,626	1,263,341	1,259,427	5,426,456	9,121,589	3,855	-	17,080,294
Financial assets held for trading	102,165,404	514,871	546,768	7,399,778	16,287,611	16,041,543	-	142,955,975
Debt investments	3,300,603	1,537,033	21,251,133	59,256,492	174,905,023	147,836,033	-	408,086,317
Other debt investments	45,693	7,572,815	5,349,628	30,708,793	93,438,710	73,112,069	-	210,227,708
Investments in other equity instruments	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	168,302	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total assets	581,953,121	293,529,911	205,533,885	683,883,067	681,129,770	693,469,156	182,438,303	3,321,937,213

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(2) Maturity analysis (continued)

	The Group							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	-	(22,010,497)	(5,639,716)	-	-	-	(27,650,213)
Due to banks and other financial institutions	(40,310,293)	(126,026,891)	(126,292,191)	(231,512,851)	-	-	-	(524,142,226)
Placements from banks and other financial institutions	-	(33,932,506)	(11,756,837)	(17,128,041)	-	-	-	(62,817,384)
Financial assets sold under repurchase agreements	-	(58,296,260)	(5,225,329)	(6,543,280)	-	-	-	(70,064,869)
Financial liabilities held for trading	(9,823)	-	-	-	(4,743)	-	-	(14,566)
Derivative financial liabilities	(4,949)	(1,493,848)	(1,166,161)	(5,001,735)	(9,054,085)	(3,124)	-	(16,723,902)
Customer deposits	(840,946,415)	(616,335,964)	(110,872,649)	(267,793,736)	(252,117,131)	(6,707,310)	-	(2,094,773,205)
Bonds issued	-	(23,651,142)	(17,163,786)	(178,088,069)	(60,320,678)	(3,525,459)	-	(282,749,134)
Other liabilities	(420,459)	(3,890,235)	(469,850)	(1,282,626)	(3,262,340)	(550,972)	(52,186)	(9,928,668)
Total liabilities	(881,691,939)	(863,626,846)	(294,957,300)	(712,990,054)	(324,758,977)	(10,786,865)	(52,186)	(3,088,864,167)
Net liquidity	(299,738,818)	(570,096,935)	(89,423,415)	(29,106,987)	356,370,793	682,682,291	182,386,117	233,073,046

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(2) Maturity analysis (continued)**

	The Bank							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	39,026,404	-	-	-	-	-	162,885,241	201,911,645
Due from banks and other financial institutions	13,030,831	-	-	-	-	-	-	13,030,831
Placements with banks and other financial institutions	-	5,895,511	21,792,102	34,330,282	-	-	-	62,017,895
Financial assets held under resale agreements	-	122,681,971	-	-	-	-	-	122,681,971
Loans and advances to customers	279,426,125	90,133,803	166,092,961	613,052,655	389,106,891	444,046,897	18,760,891	2,000,620,223
Derivative financial assets	20,710	1,302,277	1,745,352	4,633,308	4,188,466	1,837	-	11,891,950
Financial assets held for trading	104,472,947	59,952	3,741,671	14,447,753	24,261,856	20,571,843	-	167,556,022
Debt investments	1,035,953	3,167,103	9,724,149	72,559,645	210,250,692	160,567,981	-	457,305,523
Other debt investments	9,072	10,772,516	11,157,398	77,866,159	150,396,382	69,537,654	-	319,739,181
Investments in other equity instruments	-	-	-	-	-	-	2,348,781	2,348,781
Other assets	228,903	8,776,316	107,013	275,763	137,408	42,540	1,729,692	11,297,635
Total assets	437,250,945	242,789,449	214,360,646	817,165,565	778,341,695	694,768,752	185,724,605	3,370,401,657

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(2) Maturity analysis (continued)

	The Bank							Total
	31 December 2022							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	(1,027,251)	(2,047,786)	(14,729,657)	-	-	-	(17,804,694)
Due to banks and other financial institutions	(38,644,808)	(62,232,430)	(199,809,726)	(71,902,837)	-	-	-	(372,589,801)
Placements from banks and other financial institutions	-	(41,523,825)	(15,764,639)	(7,768,577)	-	-	-	(65,057,041)
Financial assets sold under repurchase agreements	-	(173,004,625)	(7,588,744)	(7,988,340)	-	-	-	(188,581,709)
Financial liabilities held for trading	(122,614)	-	-	-	(11,614)	-	-	(134,228)
Derivative financial liabilities	(6,435)	(1,194,684)	(1,883,606)	(3,988,295)	(4,197,064)	-	-	(11,270,084)
Customer deposits	(891,007,559)	(1,014,069,157)	(23,821,583)	(71,658,223)	(169,044,326)	(297,609)	-	(2,169,898,457)
Bonds issued	-	(16,807,595)	(120,032,414)	(68,681,494)	(82,672,168)	(3,525,462)	-	(291,719,133)
Other liabilities	(420,532)	(1,839,398)	(602,133)	(1,307,465)	(3,029,877)	(483,045)	(733,811)	(8,416,261)
Total liabilities	(930,201,948)	(1,311,698,965)	(371,550,631)	(248,024,888)	(258,955,049)	(4,306,116)	(733,811)	(3,125,471,408)
Net liquidity	(492,951,003)	(1,068,909,516)	(157,189,985)	569,140,677	519,386,646	690,462,636	184,990,794	244,930,249

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(2) Maturity analysis (continued)**

The table below summarises the maturity analysis of the carrying amount of assets and liabilities based on the remaining maturity from the balance sheet date to the contract maturities (continued):

	The Bank							Total
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	8,668,581	463,742	317,332	188,685	-	-	-	9,638,340
Placements with banks and other financial institutions	-	22,967,382	12,649,876	23,855,475	992,817	-	-	60,465,550
Financial assets held under resale agreements	-	151,902,214	-	-	-	-	-	151,902,214
Loans and advances to customers	298,693,892	96,396,060	164,092,594	556,488,071	386,152,558	456,455,190	11,478,038	1,969,756,403
Derivative financial assets	5,626	1,263,341	1,259,427	5,426,456	9,121,589	3,855	-	17,080,294
Financial assets held for trading	102,165,404	514,871	546,768	7,399,778	16,287,611	16,041,543	-	142,955,975
Debt investments	3,300,603	1,537,033	21,251,133	59,256,492	174,905,023	147,836,033	-	408,086,317
Other debt investments	45,693	7,572,815	5,349,628	30,708,793	93,438,710	73,112,069	-	210,227,708
Investments in other equity instruments	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	168,302	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total assets	576,901,648	293,529,911	205,533,885	683,883,067	681,129,770	693,469,156	182,438,303	3,316,885,740

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XV Financial instruments and risk management (continued)

3 Liquidity risk (continued)

(2) Maturity analysis (continued)

	The Bank							Total
	31 December 2021							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Due to central banks	-	-	(22,010,497)	(5,639,716)	-	-	-	(27,650,213)
Due to banks and other financial institutions	(40,339,373)	(126,026,891)	(126,292,191)	(231,512,851)	-	-	-	(524,171,306)
Placements from banks and other financial institutions	-	(33,932,506)	(11,756,837)	(17,128,041)	-	-	-	(62,817,384)
Financial assets sold under repurchase agreements	-	(58,296,260)	(5,225,329)	(6,543,280)	-	-	-	(70,064,869)
Financial liabilities held for trading	(9,823)	-	-	-	(4,743)	-	-	(14,566)
Derivative financial liabilities	(4,949)	(1,493,848)	(1,166,161)	(5,001,735)	(9,054,085)	(3,124)	-	(16,723,902)
Customer deposits	(840,946,415)	(616,335,964)	(110,872,649)	(267,793,736)	(252,117,131)	(6,707,310)	-	(2,094,773,205)
Bonds issued	-	(23,651,142)	(17,163,786)	(178,088,069)	(60,320,678)	(3,525,459)	-	(282,749,134)
Other liabilities	(420,459)	(3,890,235)	(469,850)	(1,282,626)	(3,262,340)	(550,972)	(52,186)	(9,928,668)
Total liabilities	(881,721,019)	(863,626,846)	(294,957,300)	(712,990,054)	(324,758,977)	(10,786,865)	(52,186)	(3,088,893,247)
Net liquidity	(304,819,371)	(570,096,935)	(89,423,415)	(29,106,987)	356,370,793	682,682,291	182,386,117	227,992,493

- (i) For loans and advances to customers, the “indefinite” period represents the balance being impaired or not impaired and overdue for more than one month. The balance not impaired and overdue within one month is included in “overdue”. They are disclosed with net amount measured at cost less impairment.

XV Financial instruments and risk management (continued)**3 Liquidity risk (continued)****(3) Off-balance sheet items**

The off-balance sheet items of the Group and the Bank are mainly unused credit card limits, loan commitments, bank acceptance notes, issuance of guarantees and warranties and issuance of letters of credit. The following table sets out the amounts of off-balance sheet items by the maturity date of the contract, with financial guarantee contracts shown in nominal amounts by the earliest maturity date of the contract:

	31 December 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Undrawn credit facilities	850,341,459	-	-	850,341,459
Loan commitments	4,918,704	20,819,779	7,483,597	33,222,080
Bank acceptance notes	329,512,744	-	-	329,512,744
Guarantee and letters of guarantee issued	37,077,537	19,708,173	2,016,273	58,801,983
Letters of credit issued	67,268,556	51,288	-	67,319,844
Total	1,289,119,000	40,579,240	9,499,870	1,339,198,110

	31 December 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Undrawn credit facilities	807,857,673	-	-	807,857,673
Loan commitments	2,759,959	9,874,953	20,119,213	32,754,125
Bank acceptance notes	355,920,934	-	-	355,920,934
Guarantee and letters of guarantee issued	33,755,105	15,255,065	2,151,279	51,161,449
Letters of credit issued	54,620,863	234,794	-	54,855,657
Total	1,254,914,534	25,364,812	22,270,492	1,302,549,838

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XV Financial instruments and risk management (continued)

4 Fair value estimates

Determination of fair value of financial instruments

The Group and the Bank's financial assets and liabilities mainly include cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets and liabilities at fair value through profit or loss, derivative financial instruments, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, financial assets at fair value through other comprehensive income, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and bonds issued.

- (i) Financial assets including cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, and financial liabilities including borrowings from central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts are the approximation of the fair value.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivative financial instruments and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value is unable to be measured. For the financial instruments in active open market, the Group and the Bank adopt market price or market interest rate as the best estimate for their fair value. For the financial instruments without market price or market interest rate, the Bank determines the fair value of these financial assets and financial liabilities by discounted cash flows or other valuation methods.
- (iii) The fair value of financial assets at amortised cost and bonds issued are usually determined with reference to the available market price or quotation from brokers or agents. If the relevant market information cannot be obtained, the Bank will refer to the yield of the securities products with similar characteristics such as credit risk and maturity, to estimate the fair value based on pricing model or discounted cash flows.
- (iv) Loans and advances to customers are listed at the net amount after deducting the provision for impairment. Most loans and advances to customers are priced at floating rates similar to the PBOC interest rate. Therefore, the carrying amounts of these loans and advances to customers are reasonable approximation of their fair values.
- (v) Customer deposits are mostly demand deposits or time deposits within one year, priced at floating rates or short-term rates approximating PBOC interest rate. Therefore, the carrying amounts of these customer deposits are reasonable approximation of their fair values.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

XV Financial instruments and risk management (continued)**4 Fair value estimates (continued)****(1) Assets and liabilities measured at fair value on a recurring basis**

As at 31 December 2022, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Group			
	Level 1	Level 2	Level 3	Total
Asset				
Precious metals	1,493,950	–	–	1,493,950
Financial assets held for trading	6,759,116	148,106,799	14,069,019	168,934,934
Derivative financial assets	–	11,891,950	–	11,891,950
Loans and advances to customers	–	275,415,821	–	275,415,821
Other debt investments	84,791,782	231,931,385	3,075,708	319,798,875
Investments in other equity instruments	961,745	–	1,387,036	2,348,781
Total assets measured at fair value on a recurring basis	94,006,593	667,345,955	18,531,763	779,884,311
Liabilities				
Financial liabilities held for trading	–	(134,228)	–	(134,228)
Derivative financial liabilities	–	(11,270,084)	–	(11,270,084)
Total liabilities measured at fair value on a recurring basis	–	(11,404,312)	–	(11,404,312)
	The Bank			
	Level 1	Level 2	Level 3	Total
Asset				
Precious metals	1,493,950	–	–	1,493,950
Financial assets held for trading	6,759,116	147,336,118	13,460,788	167,556,022
Derivative financial assets	–	11,891,950	–	11,891,950
Loans and advances to customers	–	275,415,821	–	275,415,821
Other debt investments	84,791,782	231,871,691	3,075,708	319,739,181
Investments in other equity instruments	961,745	–	1,387,036	2,348,781
Total assets measured at fair value on a recurring basis	94,006,593	666,515,580	17,923,532	778,445,705
Liabilities				
Financial liabilities held for trading	–	(134,228)	–	(134,228)
Derivative financial liabilities	–	(11,270,084)	–	(11,270,084)
Total liabilities measured at fair value on a recurring basis	–	(11,404,312)	–	(11,404,312)

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

4 Fair value estimates (continued)

(1) Assets and liabilities measured at fair value on a recurring basis (continued)

As at 31 December 2021, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Group and the Bank			Total
	Level 1	Level 2	Level 3	
Asset				
Precious metals	1,105,481	–	–	1,105,481
Financial assets held for trading	–	132,118,254	10,837,721	142,955,975
Derivative financial assets	–	17,080,294	–	17,080,294
Loans and advances to customers	–	240,883,672	–	240,883,672
Other debt investments	4,180,126	206,047,582	–	210,227,708
Investments in other equity instruments	791,384	–	1,322,918	2,114,302
Total assets measured at fair value on a recurring basis	6,076,991	596,129,802	12,160,639	614,367,432
Liabilities				
Financial liabilities held for trading	–	(14,566)	–	(14,566)
Derivative financial liabilities	–	(16,723,902)	–	(16,723,902)
Total liabilities measured at fair value on a recurring basis	–	(16,738,468)	–	(16,738,468)

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group and the Bank using valuation techniques. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and liquidity discount, etc.

XV Financial instruments and risk management (continued)**4 Fair value estimates (continued)****(1) Assets and liabilities measured at fair value on a recurring basis (continued)**

As at 31 December 2022 and 31 December 2021, the changes in Level 3 assets and liabilities were analysed below:

	Other equity instruments
1 January 2022	1,322,918
Increase in the current period	80,551
Losses recognised in other comprehensive income	(16,433)
31 December 2022	1,387,036
	Other equity instruments
1 January 2021	1,389,417
Losses recognised in other comprehensive income	(66,499)
31 December 2021	1,322,918

The Group and the Bank's Risk Management Department is responsible for valuation of financial assets and financial liabilities. The above valuation results are independently verified and accounted for by the Group and the Bank's Operations and Process Management Department, and disclosure information in relation to fair value is prepared based on the verified valuation results.

Financial instruments valued using unobservable market data and other valuation techniques mainly include unlisted equity, and the valuation methods used are primarily discounted cash flows and market comparable company approach, which involve unobservable assumptions including company cash flows, risk-adjusted discount rate, P/B ratio, P/E ratio and liquidity discount.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

4 Fair value estimates (continued)

(2) Assets measured at fair value on a non-recurring basis

In 2022 and 2021, the Group and the Bank had no asset or liability items measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and financial liabilities at amortised cost of the Group and the Bank mainly comprise: due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortised cost, debt investments, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and bonds issued.

Except for financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	The Group			
	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt investments	460,772,399	464,707,580	408,086,317	412,842,264
Financial liabilities				
Bonds issued	291,719,133	292,460,793	282,749,134	280,759,606

	The Bank			
	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt investments	457,305,523	461,258,400	408,086,317	412,842,264
Financial liabilities				
Bonds issued	291,719,133	292,460,793	282,749,134	280,759,606

The fair value of debt investments that are traded in an active market is determined at the quoted market price, and categorised within Level 1 of the fair value hierarchy. The fair value of debt investment and bonds issued without active market quotation is determined by the valuation results of the China Central Depository & Clearing Co., Ltd., and categorised within Level 2 of the fair value hierarchy.

XV Financial instruments and risk management (continued)

5 Capital management

The Group's objectives on capital management are:

- Maintaining reasonable capital adequacy ratio to continue to meet regulatory rules and policy requirements on capital, and keeping stable capital base to ensure the Group's business growth and the implementation of its business development and strategic plan and to achieve comprehensive, coordinated and sustainable development;
- Complying with laws and regulations regarding capital, gradually adopting the advanced capital measurement approach, improving the internal assessment procedures for capital adequacy, disclosing information on capital management, covering all types of risks, and ensuring the secure operation of the Group;
- Applying quantified results of various risks, establishing a bank value management system centring around economic capital, improving the policy, process and application management system, strengthening the capital constraint and incentive mechanism, enhancing the Bank's product pricing and decision-making capabilities, and improving the capital allocation efficiency; and
- Making reasonable use of various capital instruments, continuously enhancing capital strength, refining capital structure, improving capital quality, reducing capital cost, and generating maximum return to shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its appropriation of profit policy, issue or redeem own shares, other tier-one capital instruments, qualifying tier-two capital instruments and convertible corporate bonds, etc.

The Group's management regularly monitors capital adequacy ratio with methods by CBRC.

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* and other relevant regulations.

The commercial banks are required to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* that the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. The systemically important banks are required to meet the additional capital requirements from 1 January 2023 in accordance with the Additional Supervision Requirements for Systemically Important Banks (Trial). The Group is required to maintain 0.25% of additional capital, i.e., to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below 7.75%, 8.75% and 10.75%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking regulators. There are certain differences in the capital adequacy ratio requirements of different countries.

Notes to the Financial Statements

For the year ended 31 December 2022 (All amounts in RMB'000 Yuan unless otherwise stated)

XV Financial instruments and risk management (continued)

5 Capital management (continued)

Risk-weighted assets included credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets. Credit risk-weighted assets include on-balance sheet risk-weighted assets, off-balance sheet risk-weighted assets and counterparty credit risk-weighted assets. The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit risk, market risk and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets include counterparty credit risk assets arising from OTC derivatives financial instruments, securities financing transactions and transactions with central counterparties. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.





The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under CASs. As at 31 December 2022 and 31 December 2021, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Group fully complied with relevant regulatory requirements.

The Group calculates the capital adequacy ratios in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* and other relevant requirements as follows:






	2022	2021
Total core tier-one capital	216,858,309	189,509,685
Adjustment of ore tier-one capital	(3,688,296)	(2,799,864)
– Other intangible assets (excluding land use rights) net of related deferred tax liability	(3,688,296)	(2,799,864)
Net core tier 1 capital	213,170,013	186,709,821
Other tier 1 capital	44,991,071	44,991,071
Net tier 1 capital	258,161,084	231,700,892
Tier 2 capital	55,651,489	59,510,938
Total net capital	313,812,573	291,211,830
Total risk-weighted assets	2,420,993,282	2,354,160,171
– Credit risk-weighted assets	2,237,451,354	2,173,998,296
– Market risk-weighted assets	40,748,623	35,699,989
– Operational risk-weighted assets	142,793,305	144,461,886
Core tier 1 capital adequacy ratio	8.81%	7.93%
Tier 1 capital adequacy ratio	10.66%	9.84%
Capital adequacy ratio	12.96%	12.37%

Directory of Organizations






Head Office

-  Address: CGB Building, No. 713, Dongfengdong Road, Yuexiu District, Guangzhou, Guangdong
-  Telephone: 020-87311722
-  Fax: 020-87310779
-  Post code: 510080
-  Quantity of institution: 1

Chongqing Branch

-  Address: 1-2/F, Podium Building, Unit 1 & 30-43/F, CGB Building, Unit 2, No. 99 Wuyi Road, Yuzhong District, Chongqing
-  Telephone: 023-63302266
-  Fax: 023-63329888
-  Post code: 400010
-  Quantity of institution: 10






Beijing Branch

-  Address: CGB Building, 2A Dongchang'an Jie, Dongcheng District, Beijing
-  Telephone: 010-65169365
-  Fax: 010-65266728
-  Post code: 100005
-  Quantity of institution: 54

Dalian Branch

-  Address: No. 3, Zhongshan Plaza, Zhongshan District, Dalian, Liaoning
-  Telephone: 0411-82553811
-  Fax: 0411-82553258
-  Post code: 116001
-  Quantity of institution: 20

Changchun Branch

-  Address: No. 105 and 106 Store of 1/F, 2/F, and 16-19/F, Shangdong International Tower A, No. 3000, Dongsheng Avenue, Erdao District, Changchun, Jilin
-  Telephone: 0431-81135096
-  Fax: 0431-81135000
-  Post code: 130000
-  Quantity of institution: 5





Dongguan Branch

-  Address: Stores 101-103, 109, 110 and Office No. 207, 401-801, 902, CGB Financial Building, No. 3 Shizhu Road, Nancheng Street, Dongguan, Guangdong
-  Telephone: 0769-22508851
-  Fax: 0769-22508851
-  Post code: 523000
-  Quantity of institution: 50

Changsha Branch

-  Address: CGB Building, No. 195 Binjiang Road, Yuelu District, Changsha, Hunan
-  Telephone: 0731-88335780
-  Fax: 0731-88335788
-  Post code: 410006
-  Quantity of institution: 27





Foshan Branch

-  Address: CGB Building, No. 29, Jihua 5th Road, Chancheng District, Foshan, Guangdong Province
-  Telephone: 0757-83121027
-  Fax: 0757-83359356
-  Post code: 528000
-  Quantity of institution: 36

Chengdu Branch

-  Address: 1-2, 17, 19-21/F, North Tower, Sichuan Investment Building, No. 112 Tiantai Road, High-Tech Zone, Chengdu, Sichuan
-  Telephone: 028-80587953
-  Fax: 028-85355943
-  Post code: 610041
-  Quantity of institution: 15

Fuzhou Branch

-  Address: 1/F & 4/F, Shenfa Mansion, No. 132 Shuguang Road, Taijiang District, Fuzhou, Fujian
-  Telephone: 0591-28083903
-  Fax: 0591-28083903
-  Post code: 350009
-  Quantity of institution: 16

Directory of Organizations

Guangzhou Branch

-  Address: 1/F & 24-28/F, Nanyazhonghe Plaza, No. 57, Linjiang Avenue, Pearl River New Town, Tianhe District, Guangzhou, Guangdong
-  Telephone: 020-38988800
-  Fax: 020-83503050
-  Post code: 510623
-  Quantity of institution: 60






Hefei Branch

-  Address: 1, 42, 43/F, Block B, Anliang Dongyi Financial Plaza, No. 169 Funan Road, Luyang District, Hefei
-  Telephone: 0551-65955600
-  Fax: 0551-65955600
-  Post code: 230061
-  Quantity of institution: 12

Guiyang Branch

-  Address: "China Life Plaza", north third tower, Zhongtian Financial City Business District (North District), Changling North Road, Guanshanhu District, Guiyang, Guizhou
-  Telephone: 0851-88800217
-  Fax: 0851-88800217
-  Post code: 550081
-  Quantity of institution: 2


Heyuan Branch

-  Address: Youli Business Building, No. 19 Jianshe Avenue West, Heyuan, Guangdong
-  Telephone: 0762-3168600 (switchboard)
-  Fax: -
-  Post code: 517000
-  Quantity of institution: 7

Harbin Branch

-  Address: No. 2688, Qunli Fifth Avenue, Daoli District, Harbin, Heilongjiang
-  Telephone: 0451-85872981
-  Fax: -
-  Post code: 150010
-  Quantity of institution: 23






Hohhot Branch

-  Address: Building 1, Wanming Headquarters Base, No. 28, Ruyihe Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
-  Telephone: 0471-6116318
-  Fax: 0471-6116311
-  Post code: 010010
-  Quantity of institution: 1



Haikou Branch

-  Address: 1-3F, Yilong Plaza, No. 15 Jinlong Road, Longhua District, Haikou, Hainan
-  Telephone: 0898-31290055
-  Fax: -
-  Post code: 570125
-  Quantity of institution: 1

Huizhou Branch

-  Address: No. 19, Xiapu Avenue, Huizhou, Guangdong
-  Telephone: 0752-2119885
-  Fax: 0752-2119888
-  Post code: 516001
-  Quantity of institution: 19

Hangzhou Branch

-  Address: No. 516 Yan'an Road, Hangzhou, Zhejiang
-  Telephone: 0571-87019888 (switchboard)
-  Fax: 0571-87917852
-  Post code: 310006
-  Quantity of institution: 39

Jiangmen Branch

-  Address: No. 49-5 Jianshe Road, Jiangmen, Guangdong
-  Telephone: 0750-3288388 (switchboard)
-  Fax: 0750-3288644
-  Post code: 529000
-  Quantity of institution: 20

Jinan Branch

- 📍 Address: CGB Building, No. 15, Jingsi Road, Shizhong District, Jinan, Shandong
- ☎ Telephone: 0531-66669201
- 📠 Fax: 0531-66669900
- ✉ Post code: 250001
- 🏢 Quantity of institution: 20

Nanjing Branch

- 📍 Address: No. 238, Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu
- ☎ Telephone: 025-88812888 (switchboard)
- 📠 Fax: 025-88812007
- ✉ Post code: 210019
- 🏢 Quantity of institution: 39

Kunming Branch

- 📍 Address: No. 488 Guangfu Road, Xishan District, Kunming, Yunnan
- ☎ Telephone: 0871-64177111
- 📠 Fax: 0871-64177444
- ✉ Post code: 650228
- 🏢 Quantity of institution: 26

Nanning Branch

- 📍 Address: Stores LG-12 to LG-13 on LG Floor, Shops L1-009 to L1-016 on the first floor and the entire floor from 23 to 26 on Block B, China-Asean International Trade and Logistics Center, No. 146 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region
- ☎ Telephone: 0771-5579656
- 📠 Fax: 0771-2562608
- ✉ Post code: 530000
- 🏢 Quantity of institution: 7

Maoming Branch

- 📍 Address: No. 159, No. 161, No. 163, Yingbin 3rd Road, Maoming, Guangdong
- ☎ Telephone: 0668-3337007
- 📠 Fax: 0668-2286313
- ✉ Post code: 525000
- 🏢 Quantity of institution: 14

Ningbo Branch

- 📍 Address: No. Odd 11-27, Daqing South Road, Jiangbei District, Ningbo, Zhejiang
- ☎ Telephone: 0574-87289888
- 📠 Fax: 0574-87191000
- ✉ Post code: 315000
- 🏢 Quantity of institution: 17

Meizhou Branch

- 📍 Address: 1-3/F, Block MB11, Meiyuanxincun, South Section, Jiangnan Binfang Avenue, Meizhou, Guangdong
- ☎ Telephone: 0753-2308202
- 📠 Fax: 0753-2243595
- ✉ Post code: 514021
- 🏢 Quantity of institution: 10

Qingdao Branch

- 📍 Address: 29-31/F, and 1-2F of the podium of Buildings No.1&2, Guoxin Financial Center, No. 31, Xianxialing Road, Laoshan District, Qingdao, Shandong
- ☎ Telephone: 0532-82632566
- 📠 Fax: -
- ✉ Post code: 266105
- 🏢 Quantity of institution: 1

Nanchang Branch

- 📍 Address: No. 1669, Hongguzhong Avenue, Honggutan New District, Nanchang, Jiangxi
- ☎ Telephone: 0791-88550576
- 📠 Fax: 0791-83895508
- ✉ Post code: 330000
- 🏢 Quantity of institution: 9

Qingyuan Branch

- 📍 Address: No. 01 Office, Floors 1-2 F, Building 38, City Garden, No. 55 Lianjiang Road, Qingcheng District, Qingyuan, Guangdong
- ☎ Telephone: 0763-3855018
- 📠 Fax: 0763-3855010
- ✉ Post code: 511500
- 🏢 Quantity of institution: 8

Directory of Organizations

Shanghai Branch

- 📍 Address: No. 88 Yincheng Road, Pudong New District, Shanghai
- ☎ Telephone: 021-63901033
- 📠 Fax: 021-63901929
- ✉ Post code: 200120
- 🏢 Quantity of institution: 34

Shijiazhuang Branch

- 📍 Address: 0-101, 0-302A, 20-23/F of unit 01 of T1 & T2 Office Building, Zhongjiao Fortune Center, No. 118 Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei
- ☎ Telephone: 0311-89881000
- 📠 Fax: 0311-89881280
- ✉ Post code: 050000
- 🏢 Quantity of institution: 10

Shantou Branch

- 📍 Address: 1-4F, Chaoshanxinghe Building, Jinhuan Road, Shantou, Guangdong
- ☎ Telephone: 0754-88262689
- 📠 Fax: 0754-88262489
- ✉ Post code: 515041
- 🏢 Quantity of institution: 27

Suzhou Branch

- 📍 Address: Block A, Building 24, China Life Financial Center, Huachi Street of Industrial Park, Suzhou, Jiangsu
- ☎ Telephone: 0512-80987768
- 📠 Fax: 0512-80987500
- ✉ Post code: 215000
- 🏢 Quantity of institution: 9

Shaoguan Branch

- 📍 Address: 1-2/F of Commercial No. 1 and 8-9/F of West Tower Office, Shaoguan City Investment Group Business Center, No. 69 Binjiang Road, Wujiang District, Shaoguan
- ☎ Telephone: 0751-8177989
- 📠 Fax: 0751-8177959
- ✉ Post code: 512025
- 🏢 Quantity of institution: 3

Taiyuan Branch

- 📍 Address: 1-6F, Junwei International Financial Center, No. 89, Jinyang Street, Xiaodian District, Taiyuan, Shanxi
- ☎ Telephone: 0351-2302121
- 📠 Fax: 0351-2302157
- ✉ Post code: 030006
- 🏢 Quantity of institution: 6

Shenyang Branch

- 📍 Address: No. 197, Qingnian Avenue, Shenhe District, Shenyang, Liaoning
- ☎ Telephone: 024-81378153
- 📠 Fax: 024-81378171
- ✉ Post code: 110000
- 🏢 Quantity of institution: 26

Tianjin Branch

- 📍 Address: Tianjin Mansion, Jiefang South Road, Hexi District, Tianjin
- ☎ Telephone: 022-58566111
- 📠 Fax: 022-58567625
- ✉ Post code: 300202
- 🏢 Quantity of institution: 12

Shenzhen Branch

- 📍 Address: The first floor, the second floor (East District), the 11th to 12th floors and the 14th to 19th floors of Building A, Dongfang Xintiandi Plaza, No. 1003, Shennan Road, Futian District, Shenzhen, Guangdong
- ☎ Telephone: 0755-88919999
- 📠 Fax: 0755-88919021
- ✉ Post code: 518000
- 🏢 Quantity of institution: 42






Wuhan Branch

- 📍 Address: CGB Building, No. 737 Jianshe Avenue, Jiangnan District, Wuhan, Hubei
- ☎ Telephone: 027-85354783
- 📠 Fax: 027-85354848
- ✉ Post code: 430022
- 🏢 Quantity of institution: 25

Urumqi Branch

-  Address: No. 480 Renmin Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
-  Telephone: 0991-2953333
-  Fax: 0991-2953260
-  Post code: 830001
-  Quantity of institution: 10






Zhengzhou Branch

-  Address: No. 10, CBD Commercial Outer Ring Road, Zhengdong New District, Zhengzhou, Henan
-  Telephone: 0371-68599907
-  Fax: 0371-68599908
-  Post code: 450018
-  Quantity of institution: 45

Xi'an Branch

-  Address: 1, 35, 38-41F, Xi'an China Life Financial Center, No. 11 Tangyan Road, High-tech Zone, Xi'an, Shaanxi
-  Telephone: 029-89568536
-  Fax: 029-89568528
-  Post code: 710036
-  Quantity of institution: 12

Zhongshan Branch

-  Address: No. 55 Huabai Road, Shiqi District, Zhongshan, Guangdong
-  Telephone: 0760-88861998 (switchboard)
-  Fax: 0760-88861968
-  Post code: 528400
-  Quantity of institution: 15

Yangjiang Branch

-  Address: Jinghu Comprehensive Building, No. 38 Dongfeng 3rd Road, Yangjiang, Guangdong
-  Telephone: 0662-3367692
-  Fax: 0662-3367672
-  Post code: 529500
-  Quantity of institution: 6


Zhuhai Branch

-  Address: No. 68, Jida Jingshan Road, Xiangzhou District, Zhuhai, Guangdong
-  Telephone: 0756-3250778
-  Fax: 0756-3250778
-  Post code: 519015
-  Quantity of institution: 15



Zhaoqing Branch

-  Address: No. 75-1 Tianning North Road, Duanzhou District, Zhaoqing, Guangdong
-  Telephone: 0758-2313023
-  Fax: 0758-2313013
-  Post code: 526040
-  Quantity of institution: 17





Macau Branch

-  Address: 18/F, Guanghui (Group) Commercial Center, No. 181-187, Alameda Dr. Carlos D'assumpcao Square, New Port, Macau
-  Telephone: 00853-28750328 (switchboard)
-  Fax: 00853-28750728
-  Quantity of institution: 5

Zhanjiang Branch

-  Address: No. 22, Zhongshan 1st Road, Chikan District, Zhanjiang, Guangdong
-  Telephone: 0759-3366558
-  Fax: 0759-3313285
-  Post code: 524032
-  Quantity of institution: 13

Hong Kong Branch

-  Address: 12/F, Tower 1, Exchange Square, 8 Connaught Place, Central, Hong Kong
-  Telephone: 00852-38509800
-  Fax: 00852-25300123
-  Quantity of institution: 1

Directory of Organizations

Credit Card Center

📍 Address: 8, 9, 10, 11, 12, 13/F, No. 10 Jiangxi Road,
Pearl River New Town, Tianhe District,
Guangzhou, Guangdong

☎ Telephone: 020-38738888

📠 Fax: 020-38738992

✉ Post code: 510623

🏢 Quantity of institution: 65

Fund Operation Center

📍 Address: 35/F, China Life Financial Center, No. 88,
Yincheng Road, Pudong New Area, Shanghai

☎ Telephone: 021-23297106

📠 Fax: 021-23157201

✉ Post code: 200120

🏢 Quantity of institution: 1

CGB Wealth Management Co. Ltd,

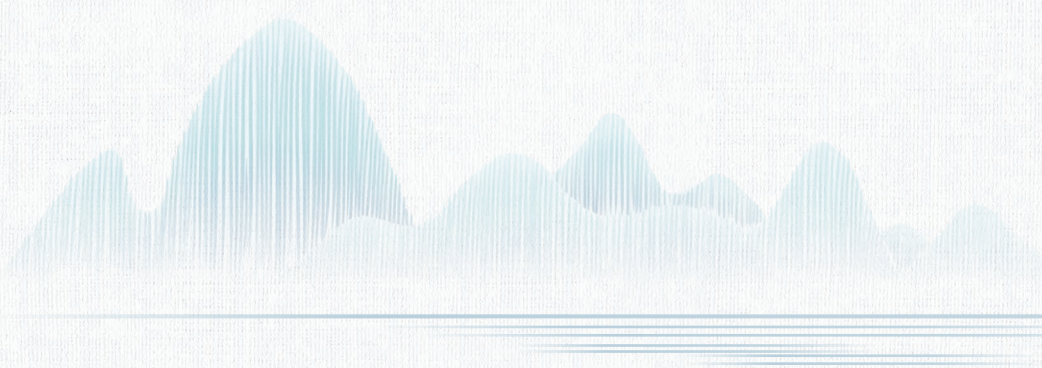
📍 Address: 31F, No. 166, Lujiazui East Road, China
(Shanghai) Pilot Free Trade Zone


☎ Telephone: 021-68298600


📠 Fax: 021-50338709

✉ Post code: 200120


🏢 Quantity of institution: 1



 No. 713 Dongfengdong Road,
Yuexiu District, Guangzhou

 400-830-8003

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